Nation's Business

A USEFUL LOOK AHEAD

JANUARY 1959

WATCH FOR THESE SPACE AGE CHANGES

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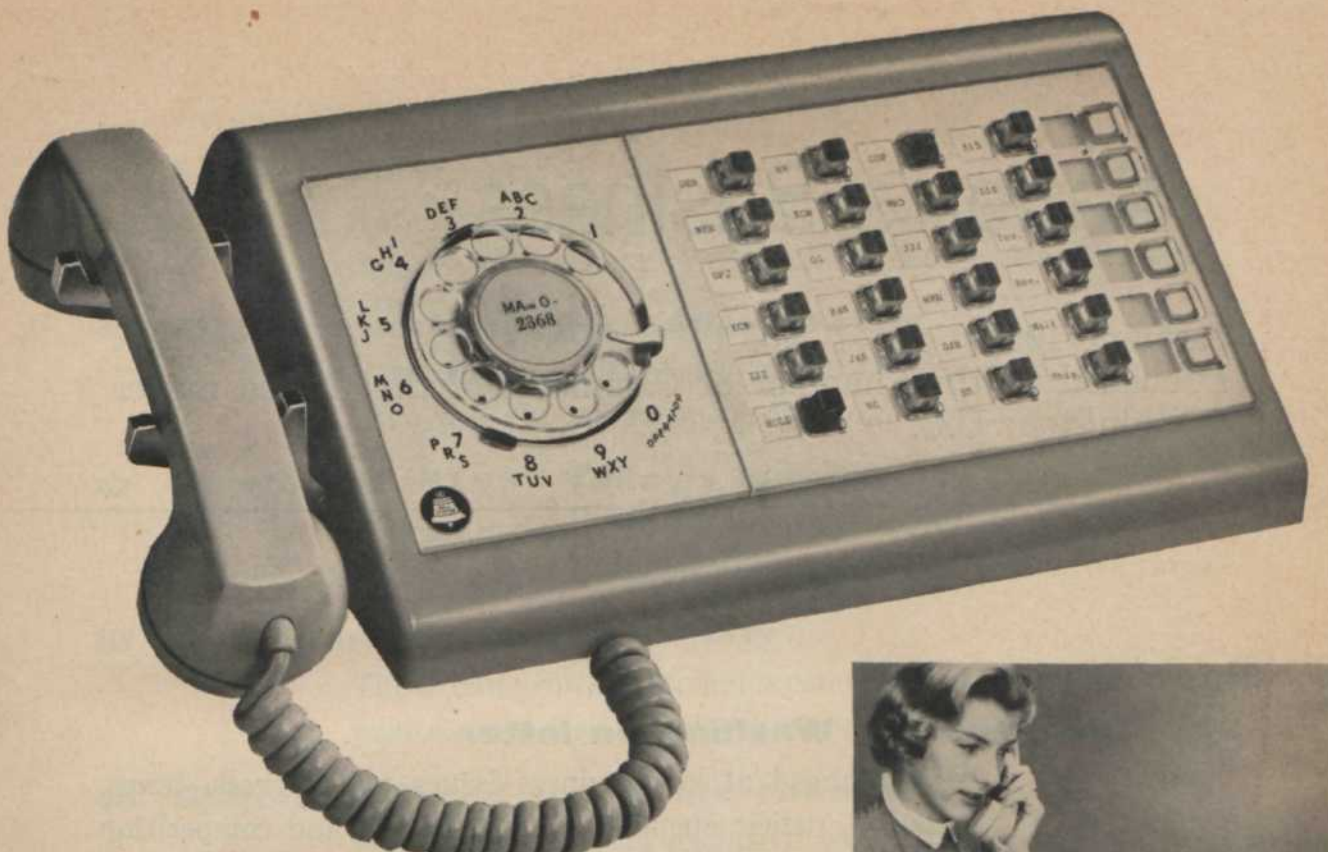

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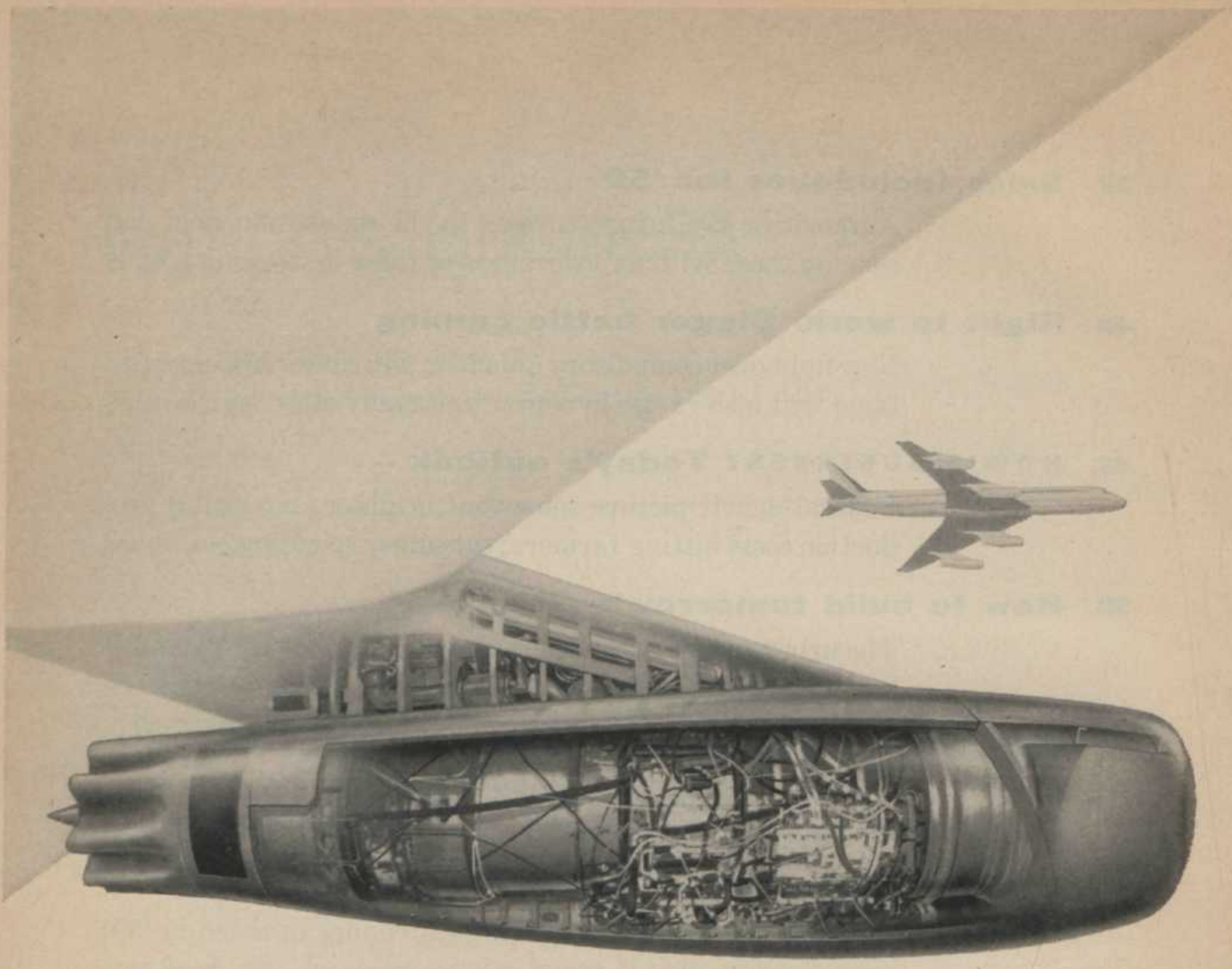
Nation's Business

January 1959 Vol. 47 No. 1
Published by the Chamber of Commerce of the United States
Washington, D.C.

Nation's Business is published monthly at 1615 H St. N.W., Washington 6, D.C. Subscription price $18 for three years. Printed in U.S.A. Second class postage paid at Washington, D. C., and at additional mailing offices.



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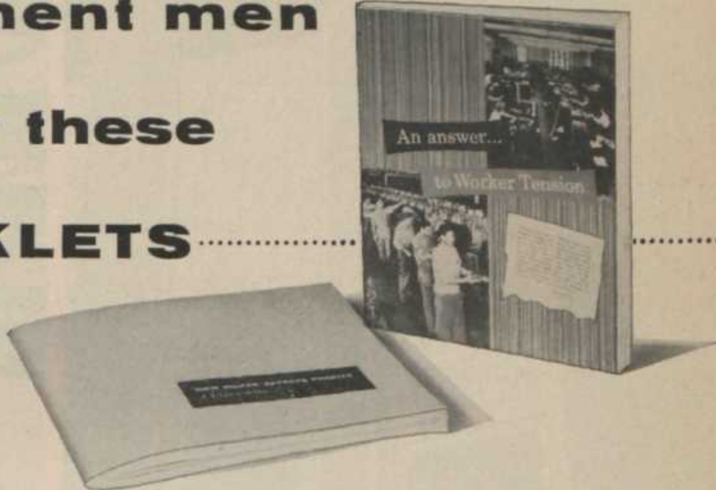

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and
"How Muzak Affects Profits"

MUZAK CORPORATION'S TWO INFORMATIVE BOOKLETS have been the starting point for worthwhile payroll savings for many types of factories, plants, offices, and banks. Offered singly, they have been requested by thousands of top management men. Now your request will be promptly filled for complimentary copies of both:

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TYPE OF BUSINESS.............................. NO. OF EMPLOYEES..................

STREET...

CITY.. ZONE.... STATE..................

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management's WASHINGTON LETTER

▶BUSINESS' BIGGEST CHALLENGE in '59 will come from powerful array of anti-employer forces in new Congress.

Here's a preview of key business-related issues, what to expect.

▶INFLATION

Creeping inflation--hardly any change --is expected for early months ahead.

Later?

Congressional actions could start fuse burning for inflationary explosions next year, for years to come.

Threat comes in proposals for:

Higher red-ink spending.

More federal welfare programs.

Special-interest legislation.

Taxes which starve economic growth.

Expansion of policies which keep prices artificially high, fix wage floors, work against economic self-adjustment.

Threat also comes in proposals that ignore need for:

Getting control of federal spending.

Matching expenditures with revenue.

Reducing federal debt.

Forecast:

Look for actions on balance to be more inflationary than deflationary.

▶UNION POWER

Organized labor--with more friends than enemies in both houses--wants laws that add to union strength.

These include:

Repeal of Taft-Hartley provision that permits states to outlaw compulsory membership in unions.

Even weaker version of Kennedy-Ives bill than one which Congress rejected last year--with new requirements on business.

From others in Congress you can expect proposals to:

Curb racketeering, bust union monopoly, eliminate secondary boycotts, halt coercive picketing, end compulsory unionism.

Outlook:

Outcome on all of these issues is far from settled.

Business influence can be effective.

▶TAXATION

Clashes will show up in '59.

Union-liberal bloc wants voter-pleasing changes that shift burden to business, to higher-income taxpayers.

Proposals include:

Reduction of taxes for low and middle-income groups, closing of tax loopholes, reduction of excise taxes, tax exemption for payments to federal retirement plans.

Businessmen want reform to encourage investment, adequate depreciation, uniform excise taxes, simplified system that will minimize hardships, provide incentives for all groups.

Any combination of above is possible.

Also possible:

Stricter tax treatment for co-ops, boost in gas tax, changes for carryover of operating losses, new formula for taxing insurance companies, tax aid for foreign investors.

What's probable is:

1. Another technical-changes bill like last year's.

2. Start of grand-scale study to broaden tax base--leading toward action in '60.

▶GOVERNMENT CONTROLS

You can expect a renewed, vigorous drive for law requiring advance disclosure of merger plans.

Stipulation will be for 60-day pre-notification of mergers involving companies with combined assets of $10 million or more.

This legislation has been turned back several times in recent years, but could pass in some form in strong new anti-business atmosphere on Capitol Hill.

U. S. Chamber, others, will oppose pre-notice on ground that it would disrupt normal operation of business.

Controlist drive, critics say, is part of constant pressure to transfer management functions to government bureaus.

Opponents of controlism argue that it obstructs free operation of the enterprise economy, could--if allowed to grow--impede growth of nation's living standards.

In addition, pressure will mount for:

Higher minimum wage ($1.25 per hour), extension of coverage to 10 million more workers.

Higher wage floors in industries doing work for government. Higher retirement,

unemployment benefits for railroad workers.

Federal standards for benefits under unemployment insurance.

Move toward federal workmen's compensation law.

▶DOMINATION BY WASHINGTON

This is real issue behind demands for greater U. S. role in education, other local affairs.

Unions want:

Federal low-interest loans to cities for public works, federal money for depressed regions, aid for school construction and teachers' salaries.

More federal housing, extension of slum clearance, urban renewal programs.

Many--unions among them--are willing and eager to hand more and more authority over to Washington.

But free enterprisers in and out of Congress are determined to fight this trend to last ditch.

Here's why:

From stepped-up federal action in education, school construction, industrial development, is sure to come federal control and domination.

Centralization of more authority in government means Washington bureaucrats would:

Determine educational needs, overriding local requirements.

Decide where, when, and how industrial development could take place, what kinds of industry should be encouraged, how fast cities should modernize.

▶WELFARE STATE

Pressure is mounting for:

Start on socialized medicine through federal hospital and surgical benefits for retired workers.

More expansion of other Social Security provisions.

Basic question here is:

In view of the already heavy tax burden, can ever larger share of limited tax resources be preempted for welfare projects?

Future will bring millions more under Social Security umbrella--without law changes.

Number getting payments is expected to climb for two or three more decades.

Past-year rise shows what's happening.

Beneficiaries now number 12.3 million.

Payments for one month: $685 million.

That's 1.5 million more persons getting $100 million more per month than year ago.

By '65 number getting benefits will rise to 16.6 million.

Payments (under present law) will be $12.3 billion, tax collections $13.8 billion.

Prospect:

Figures will prove too low.

Reason:

Congress usually hikes payments every election year.

Congressional search for new ways to broaden coverage will get under way this year--for enactment just prior to 1960 presidential campaign.

▶NATIONAL SECURITY

This dramatic area of government spending involves:

How much tax money it takes to buy adequate defense.

You can count on pressure in Congress to spend more than Administration will ask--probably about $1 billion more.

Other hot defense issues include:

Manpower--Draft Act comes up for review this year. Look for Pentagon to ask for four-year extension of current law, despite admitted weaknesses.

Procurement--Look for amendments to the Armed Services Procurement Act striving for greater efficiency in purchasing.

In addition:

You can expect extension of expiring Renegotiation Act.

▶GOVERNMENT COMPETITION

This problem will crop up on broad legislative front, including:

Pressure for more federally subsidized housing.

Bigger spending for natural resources, river development, public power, self-financing for TVA.

Pressure for bigger military airline which competes with private carriers.

But free enterprise forces will work to block these added loads on the already-swollen budget.

Job won't be easy, will require grass roots support and energetic effort by business spokesmen in Washington.

management's WASHINGTON LETTER

▶FUTURE OF ATOMIC power development for years to come may be decided by Congress this year.

Advocates of increased federal activity in the atomic power field can be expected to:

Press for multimillion dollar crash program of federal nuclear power stations.

Supporters of this move will argue that U.S. lags behind Russia and Britain in amount of installed electric power produced from atomic power plants.

Private power companies, meanwhile, will oppose massive program of federal power stations.

They'll argue that, while we lag behind USSR and Britain in kilowatts installed, these are uneconomical kilowatts and that in more meaningful field--reduction of the cost of atomic power--we lead the world.

Hearings by Joint Congressional Atomic Energy Committee will cover:

Review of atomic patents, federal-state responsibilities for atom safety, proposed expanded civilian nuclear power program.

Organized business will fight for:

Federal aid for research and development in atom power field, but will strongly oppose federal power stations.

In less than five years from now private utilities will have committed and spent almost $500 million in atomic power field.

These are private dollars, not tax dollars.

▶EMPLOYMENT will be a vital background factor in congressional action this year.

Both political parties are firmly committed to maintaining so-called full employment.

"So-called" because nobody seriously believes all unemployment can be eliminated.

Instead--Washington economists generally agree that we have full employment if only about 4 per cent of labor force is idle.

Last available figures (seasonally adjusted) show 6 per cent idle, down from recession peak of 7.6 per cent of last August.

Guesstimates by authorities here are that unemployment will surge again this month, then drop gradually.

Pre-recession level of about 2.5 million may be reached by last quarter '59 or first quarter '60.

Meanwhile, changes in Employment Act of 1946 will be talked about, amendment is possible.

Most likely new wrinkle:

Amendment committing government to maintenance of price stability.

Law currently involves government policy for full employment without regard to inflationary aspects of actions.

▶GOVERNMENT SPENDING could reach $100 billion by '64.

Unpublicized government estimates show all categories of federal spending going up for years ahead.

Example:

Defense this year will cost about $41 billion.

Projection shows $50 billion by '64.

Note: Nondefense spending also shows rise ahead.

▶FEDERAL REVENUE will peak next year.

Probable collections: $77 billion.

Previous record: $71 billion collected in fiscal '57.

(Highest World War II year: $44.5 billion collected in fiscal '45.)

Estimate's based on projected prosperity trends for coming 12 months.

▶WATCH FOR BUDGET DIRECTOR Maurice Stans to emerge as Administration strong man in year ahead.

Here's what points that way:

President last fall ordered Budget Bureau to hold fiscal '60 spending (going to Congress this month) "below $80 billion."

Step 1--Agencies send their estimates to Budget Bureau.

Total adds up to $90 billion.

Step 2--Bureau analyzes what's expanded, what's new in programs.

Step 3--Findings are shown to President.

Step 4--President issues cut-spending ultimatum.

This was interpreted as economy wave.

Cut really applied to:

The $90 billion budget the public never knew about.

Letters from businessmen

Unions

Regarding the question by a reader, "What do unions want?"—in a letter the Reuther brothers wrote from Russia to a friend in the U.S.A. (I think it was in 1934), the Reuthers extolled the virtues of socialism and closed their letter with the plea that the recipient "keep fighting for a soviet America."

Regarding the article about organized labor's new problems—actually [they] are not so great as might be supposed. I think the election demonstrated that a majority of U.S. voters can be counted on to be taken in by the something-for-nothing preaching of the union bosses. To some extent our press is to blame. Newspaper editors give space to accounts about Joe Blow running off with John Doe's wife, when they ought to be reporting the moves which are designed to change us from a nation of free people into another soviet colony.

JOHN F. SCHMIDT
Peoria, Ill.

The most urgently needed educational program in the world, and particularly in this country, is to educate the workers, union and non-union, to the fallacy of the teachings of many union leaders, to the effect that capital and management are the legitimate prey of the union worker, ethically and financially, and that any means or methods used to obtain their ends are justified.

Something must be done to bring under control the entire labor movement in the same sense that all individuals and business are controlled by laws.

FRED P. ALEXANDER
Hillsborough, Calif.

Ideas to burn

The "Are we running out of ideas?" item in Executive Trends for November is a rather superficial observation. I am quite certain that the "respected American writer on management" and his NATION'S BUSINESS confidant are fully aware that our tax structure is stultifying all free enterprise. (Generation of ideas, too.) I am sure they will agree that, given a fair tax treatment (an incentive) our business community would be so full of ideas they would be running out of our ears. We would have ideas to burn. To paraphrase the Bible—What does it *net* profit a businessman today to increase his volume 200 per cent or 500 per cent?

You know the answer. It's seldom worth the time and effort.

JOHN C. SEARS
American Gear Manufacturers Association,
Washington, D. C.

Not anarchists

It is fortunate only that your remarks [Editorial, "Smoothing the Path to Despotism"] obtain a wider circulation for the remarks of Chief Justice Warren.

You refuse to accept "that the federal government's duty is to meet human needs."

Are there other needs, or do you contend that needs are the concern only of the states?

Are you anarchists, states righters, do you simply have gratuitous opinions, or do you wish to see how many of your readers can be provoked into writing letters?

A. L. RUBENSTEIN
Univox Corporation
New York, N. Y.

Useful look ahead

I never miss reading your magazine, and particularly enjoy your articles because they are written in simple, concise terms without the usual extra 5,000 words of meaningless ramification. Since I usually read your magazine in a few stolen moments, I appreciate the facts without the flowers.

E. H. MORIARITY
Ansco,
Detroit, Mich.

"Help Yourself to Executive Skill" is an excellent treatise. If only a few more would practice instead of preach it. Very few people seem to analyze Carnegie's remark, "I made millions, making millions for others." He just surrounded himself with the potentials and took a percentage. Too few give the potentials the opportunities.

One of the greatest wastes of this country can be found in the waste of

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Worthington Corporation,
Springfield, Mass.

Will you please supply us with 100 reprints of "You Can Sharpen Your Thinking"? While we will use these reprints with our supervisors to emphasize the points so aptly made, we also will use much of the subject matter in our safety programs.

D. C. MILLER
E. I. du Pont de Nemours & Company, Inc.,
Antioch, Calif.

One man's meat . . .

Your November issue has proved of great interest to me and I am passing it through the channels of our organization. Keep up the good work and please keep in mind there are hundreds of thousands of small companies of less than 100 employes, and we need such help as you gave us in this issue.

E. F. McCLUNG
Royal Rubber & Mfg. Co.,
South Gate, Calif.

I am disappointed with your magazine. Your prime concern seems to be about the problems of large business enterprises.

BRYAN W. GOSS
Los Angeles, Calif.

Lesson in economics

We are preparing a series of lessons in economics for in-school TV viewing.

Mr. Louis Vinson, TV teacher, would like to use material including the graph from the article, "Inflation: How Great The Danger?" by Jules Backman, in the December issue of NATION'S BUSINESS in a television lesson.

EDNA MAY STROBLE,
Co-ordinator,
New Orleans Public Schools,
New Orleans, La.

Refresher course

Let me compliment you on "Here's Look at Tomorrow's Consumer."

We are circulating it to our entire staff as a refresher course in the market we are trying to influence for our several clients.

WILLIAMS T. ADAMS
Vice President,
Hixson & Jorgenson, Inc.,
Los Angeles, Calif.

The information in this article ("Here's Look at Tomorrow's Consumer") is excellent and must be considered in developing a sales presentation for the changing consumer.

I. D. VOLDNESS
Assistant Sales Manager,
The Easterling Company,
Chicago, Ill.

✔ WATCH THIS ISSUE

Finances tangle highway future

Higher taxes are possibility as Congress faces funding decision

CONGRESS this year will have to make a vital decision as to the future of the nation's multibillion dollar highway construction program.

In simplest terms, it must decide whether to keep the massive building project on schedule or stretch it out into the 1970's. It must also decide whether to alter the philosophy of paying for the program.

The decisions, however they go, undoubtedly will affect your pocketbook. The Highway Trust Fund, it is estimated, will run out of money during the next fiscal year and Congress will have to get the money somewhere if it wants to continue building roads at the present pace.

The biggest public works program in history was begun under the Federal-aid Highway Act of 1956. A most important part of the act assured the accelerated construction of a 41,000-mile national system of interstate and defense highways.

Now well under way, this future trunk line system of roads will carry the heavy streams of traffic among 90 per cent of the U. S. cities with populations of 50,000 or more. It will serve about 20 per cent of all highway traffic.

In 1956, Congress also enlarged the authorizations for the rest of the federal-aid highway program, totalling about 730,000 miles. It includes primary, secondary and urban roads and is called the ABC system.

Up to this time federal-aid funds had been paid out of any money available in the federal Treasury's general fund—money from general tax collections. But with the huge program authorized by the 1956 Highway Act, a special Highway Trust Fund was set up to foot the bill. The Highway Trust Fund gets money from increased taxes on gasoline, tires, tubes, new trucks, buses and trailers and from a use tax on vehicles of more than 26,000 pounds. To the average auto owner the added taxes cost less than $10 a year.

As it was conceived, road construction was authorized for 13 years, but the increased taxes were to be collected for 16 years. Expenditures would extend beyond the 13 years since states can spend the aid money in the year it is authorized and in the following two years.

As for costs, Congress authorized $25 billion in federal funds for the interstate system. The states were to match this money on a 90 per cent federal, 10 per cent state, basis.

This money was dealt out on a population, area, mileage formula for the first years of operation. Starting in fiscal 1960, which begins next July 1, the federal money will be apportioned to the states in the ratio that the estimated cost of finishing the interstate system in each state bears to the total estimated cost of completing the whole 41,000-mile interstate system.

As to the rest of the 730,000-mile federal-aid highway program, biennial authorizations of money are made by Congress on a 50-50 matching basis with the states. The annual amount of federal money was to be about $900 million.

Traditionally, federal-aid highway money authorizations are made well before the money is to be used so state legislatures, which usually meet every two years, can provide matching amounts.

Federal funds are apportioned (that is, the states are officially told what dollar amounts they can count on getting) each year from six to 12 months before the start of the next fiscal year. Within that particular fiscal year and the next two years, these funds must be committed to

HIGHWAY FUTURE

continued

specific construction projects or a state loses the federal share.

When a state knows what amount of federal aid is available to it for each fiscal year, the state plans its work projects based on preliminary surveys and cost estimates. As highways are built, a state pays the contractors' bills and then claims reimbursement for the federal share of the cost. When a project is finished, a final accounting is made, followed by review by the U. S. Bureau of Public Roads and final payments.

An important provision of the 1956 Highway Act put the program on a pay-as-you-go basis. It said that before the Secretary of Commerce makes the annual apportionments each summer or fall for the next fiscal year, he has to check with the Secretary of Treasury to make sure there will be enough money in the Highway Trust Fund to pay the federal share of both the key 41,000 mile interstate system and the 730,000 mile ABC system. The ABC system gets first crack at Trust Fund money.

Under the initial authorization of about $25 billion for the interstate system, spending was to increase each year from a few hundred million dollars to more than $2.5 billion. The ABC authorizations were to build up quickly to a level of $900 million a year. Revenues, it was estimated, also would rise with increased travel and gas use.

But several factors have changed the outlook and will affect the future of the program. Recession and inflation are mainly to blame. The latest cost estimates for the interstate system alone show that, instead of $25 billion in federal funds, about $34 billion will be needed.

The reasons for mounting costs: higher traffic forecasts and thus the need for more traffic lanes and other facilities; more growth of cities and therefore more need for interchanges and other structures; a 12 per cent rise in construction costs between mid-1954 and late-1956.

In 1958, the Federal-aid Highway Act not only provided regular biennial authorizations for the ABC system and assured the continuation of the interstate system at full speed, it also was turned into an anti-recession tool for the immediate future. Congress authorized $400 million for immediate allocation to the states on a two-thirds federal, one-third state matching basis and in-

(continued on page 21)

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A strain gage transducer nears completion. It is made by Statham Instruments, Inc., Hato Rey, Puerto Rico.

HIGHWAY FUTURE

continued

creased the authorizations for the interstate system by $200 million in fiscal 1959 and by $300 million in fiscal 1960 and '61. It raised the ABC authorization by $25 million for fiscal '61.

Besides boosting the money that could be spent, Congress suspended the pay-as-you-go provision for fiscal 1959 and 1960. This means that more can be spent than is scheduled to come into the Trust Fund from taxes. The latest estimate of revenues is for about $2.3 billion for fiscal 1960 (Treasury will make a new estimate in March), and slightly more than that for fiscal 1961. Several hundred million dollars are still in the Fund. But authorizations made by Congress total roughly $3.4 billion for fiscal '60 and '61.

Since Congress suspended the pay-as-you-go requirement for this year and fiscal 1960, Congress will have to appropriate money from the general fund to the Trust Fund to pay authorizations already made for that year if there is not enough in the Fund. Now the big riddle is what Congress will do in 1959 to provide for the future. Apportionment of the 1961 authorization must be made this year. Congress already has approved apportionment in line with cost estimates sent to Congress by the Commerce Department.

Congress can suspend the pay-as-you-go requirement again—this time it won't have the recession as an excuse—and appropriate money rather than follow the user tax principle under which the Trust Fund was set up. Under existing law, Congress can also appropriate "repayable advances" to the Trust Fund.

Or Congress could let the pay-as-you-go provision take effect again. This would restrict the amount that could be apportioned and cut the pace of the road program.

Or Congress could raise the taxes, bringing more revenue to the Trust Fund to pay for the growing program. There is support in the Eisenhower Administration for raising the tax on gasoline to make up the Trust Fund deficit. Congress might also take some other action, such as:

Applying other excise taxes to the highway building program, raising the defense budget by the needed amount (since highways serve the military in wartime) or selling bonds to help pay the extra costs. Whatever is done will likely affect the current huge federal budget deficit and ultimately your pocketbook. **END**

The state of the nation

Ideas, like buildings, need restoration

THE GAZETTEER LISTS six Williamsburgs in as many American states. The one in Virginia has a resident population of less than 10,000. Yet it can claim that every inhabitant, during the year just closed, played host to about 100 out-of-town guests.

Altogether, in the 32 years since the revival of the colonial capital of Virginia got under way, some 10 million Americans, plus many foreigners, have made the pilgrimage. Even allowing for revisitations it is estimated that at least one American out of every 20 able to walk has now seen at first-hand the restoration of the historic little town.

Some politicians even surmise that the new governor of New York owes a good deal to the association of the Rockefeller name with Colonial Williamsburg, and that the popularity of the restoration may play a large though unintended role in the selection of presidential nominees for 1960.

• • •

Nevertheless, in spite of its widespread and steadily growing fame, Colonial Williamsburg, as the well endowed sponsoring corporation is called, is only beginning to confront the more difficult part of its stated purpose. In the words of the board of trustees this is: *To re-create accurately the environment of the men and women of Eighteenth Century Williamsburg and to bring about such an understanding of their lives and times that present and future generations may more vividly appreciate the contribution of these early Americans to the ideals and culture of our country.*

Physically, the restoration is now all but complete. Practically every home and shop and public building of Eighteenth Century Williamsburg has either been meticulously restored, or else rebuilt with infinite care and exactitude. The gardens are laid out and planted, so far as known, exactly as they were around two centuries ago. Where originals were unobtainable, the world has been combed to discover replicas. In the rebuilding of the Governor's Palace a big glass chandelier was brought from Canton, China, on evidence that it was similar to one which originally graced this seat of British power in America.

The gnarled old mulberry trees around the reconstructed Capitol are akin to those which grew there when Virginia's Declaration of Rights was under debate. In the adjacent taverns food compounded from colonial recipes is served. In the library of one restored dwelling are the identical 379 books which Thomas Jefferson, in 1771, recommended for "a common reader who understands but little of the classicks and who has not leisure for any intricate or tedious study."

Approximately \$62 million has been spent on this meticulous reconstruction, and has produced

By Felix Morley

FRED J. MAROON

perhaps the most remarkable museum to be found anywhere. Yet that is only a shell. Except for the ideas and ideals of those who dwelt in Colonial Williamsburg there would have been little point in the reproduction of the physical setting. And to reanimate these less measurable values, so that Williamsburg may serve in the solution of today's problems has from the beginning been a major objective of the sponsors. As John D. Rockefeller, Jr., wrote, early in the restoration, this image of Eighteenth Century Virginia life is in itself worth while. But, he added:

As the work has progressed, I have come to feel that perhaps an even greater value is the lesson that it teaches of the patriotism, high purpose, and unselfish devotion of our forefathers to the common good. If this proves to be true, any expenditure made there will be amply justified.

• • •

Williamsburg can easily become physically tiring, simply because there is so much to see there. How to make it inspiring is therefore the more of a problem for the able administrative staff, especially for Dr. Edward P. Alexander, the historian who serves as "Director of Interpretation."

His is a most difficult task because Eighteenth Century Virginia was essentially an aristocratic society, based on a slave economy, comparable with ancient Athens but a far cry from the American ideal as generally voiced today. Indeed the reaction of many visitors to Williamsburg is not so much admiration for what was achieved there, but rather thankfulness that so many of its practices are gone forever. There is, for instance, some doubt about the rather romantic portrayal of slavery, in the person of costumed Negro coachmen, doorkeepers and household underlings.

Any such antipathy is far from the moral the interpreters seek to draw. So they tend to emphasize that sense of responsibility for community welfare which the old Virginians undoubtedly possessed in high degree.

"A chief crop of Virginia plantations," says Dr. Alexander, "was not only tobacco, but leaders."

For these aristocratic families affluence was not an end in itself. It was rather the means to the goal of unremitting public service, expressed of course in government but equally in the religious, educational, commercial, charitable and broadly social life of the times.

This approach has the virtue of arousing the critical faculty in the minds of tourists who possess knowledge of the historical background in the communities from which they themselves come. To the visitor from New England, the emphasis on Patrick Henry recalls the memory of Samuel Adams. His own town meeting springs to mind when he is told of self-government in the Virginia House of Burgesses. The elegance of the Apollo Room in the Raleigh Tavern, in front of which slaves were auctioned, brings up contrasting memories of the prim, austere democracy of northern villages.

Similarly, the native Westerner, recalling the summary justice of the frontier, is likely to be more amused than impressed by Williamsburg's "Public Gaol," contemporaneously defined as a "strong sweet prison." Many of its colonial inmates were merely debtors with overextended lines of credit and one is told that its most famous warden doubled as organist at Bruton Parish Church.

An unanticipated result of the Williamsburg restoration has therefore been a revival of interest in local rather than in national history. And the rekindled sense of the depth of regional diversities is a constant and perhaps important stimulus to the doctrine of State's Rights. For instance, no two of the great Virginians are more frequently mentioned by the Williamsburg guides than Patrick Henry and George Mason. If interest in them is aroused, it soon leads to realization that both strongly opposed Virginia's ratification of the Constitution, maintaining with amazing foresight that the degree of centralization permitted would lead to that intervention in state affairs which makes the integration issue so injurious to our unity now.

• • •

Thus it would seem that, with increasing popularity, Colonial Williamsburg is developing a dynamic of its own, producing something greater, and to some extent other, than its sponsors anticipated. Its distinctively southern flavor emphasizes that in our federal republic real unity can be achieved only through respect for local diversities. An effort to picture Williamsburg as a "cradle of democracy" falls flat because even the most casual tourist sees at a glance that the whole theory of majority rule was completely alien to this essentially aristocratic, slave-owning, civilization.

Indeed, the whole story of the restoration emphasizes what can be done without a trace of centralized regimentation. It was the idea, originally, of the local rector, the late Dr. W. A. R. Goodwin. It has been carried out through the munificent help of a single wealthy family. It has been developed at no cost to the taxpayers, and without the intervention, assistance or guidance of any governmental planner. In no other country, one realizes, is there a more deeply impressive example of the idealistic potential in free enterprise. And the ever growing numbers that flock to Williamsburg in every season suggest that more than the town itself is being there restored.

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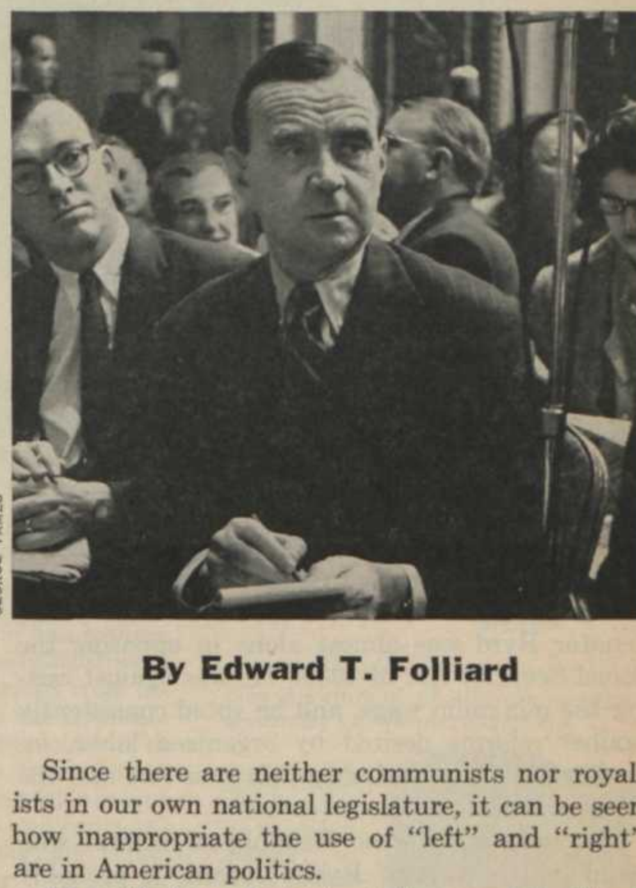
Washington mood

Label for new Congress baffles Washington



By Edward T. Folliard

THE CONVENING of the Eighty-sixth Congress, with its new landslide Democrats, points up a strange deficiency in America's political vocabulary. We just don't seem to have the words now to explain the orientation of our lawmakers.

The deficiency is strange because no country has done so much as ours to enrich the language of politics. It would take a book to hold the words that American politicians and political writers have coined and the phrases they have invented, and which have given such vivacity to our campaigns over the years. The list is nearly endless —Carpetbagger, Mossback, hat in the ring, Bull Moose, Standpatter, Mugwump, Gerrymander, Copperhead, Sons of the Wild Jackass, New Dealer, Fair Dealer, and so on and on.

Yet today we seem to have no words—none that might be called native, anyway—to describe the ideological make-up of the new Congress.

The best that our political writers have been able to do in the aftermath of the 1958 election is to borrow from Europe and say that the Eighty-sixth Congress will be "to the left" of the Eighty-fifth. They acknowledge that this use of the word "left" may be unfortunate, even misleading, but they say that they just can't think of any other.

• • •

It may be that we will have to settle for "left" and "right" to describe American political groupings. But the words really are not ours, and anyone who has looked down from the gallery into a European legislative hall realizes how alien they are in this country.

Take the Italian Chamber of Deputies, for example. Over on the extreme left, you see the communists, and on the far right the monarchists. The one would make of Italy a satellite of the Soviet Union; the other would restore the throne and call back the House of Savoy.

Since there are neither communists nor royalists in our own national legislature, it can be seen how inappropriate the use of "left" and "right" are in American politics.

All right, then, how about the use of "political radical" in the warfare between our two parties? That is the tag that President Eisenhower, while campaigning in California, hung on candidates of the Northern wing of the Democratic Party.

None of the Democratic freshmen elected Nov. 4, would admit that he is a political radical. They probably are on firm ground in rejecting the label, too, bearing in mind Webster's definition of a political radical: "One who advocates sweeping changes in laws and methods of government with the least delay." None of the new Democrats seems that wild-eyed. Government people in charge

TRENDS continued

of the Voice of America, which broadcasts to foreign countries, thought it necessary in the last campaign to explain that the feuding Republicans and Democrats weren't really as mad at each other as their oratory would indicate.

A broadcast on the Voice to our friends overseas explained that the United States has a "tradition of exaggerated political rhetoric" that goes back to the rough-and-ready campaigns of the 1880's.

"This does not mean," the broadcast continued, "that accusations and counteraccusations are taken literally. After this election is over, some of the rhetoric—if it is remembered at all—will seem neither acrimonious nor exaggerated but perhaps just a little quaint."

It might also be said that our party labels are quaint; certainly the labels don't help much in trying to determine the tone, the dominant thinking of a Congress. It cannot be determined simply by saying that there will be 64 Democrats and 34 Republicans in the Senate, and 283 Democrats and 153 Republicans in the House. Why? The answer is: The lawmakers don't vote the party line in Congress, and neither party can be described strictly as conservative or liberal.

Looking over the roster of the Senate, one finds more conservatives among the Southern Democrats than among the Northern Republicans.

• • •

Indeed, when it comes to conservatism, the Republicans have nobody to match Virginia's Harry F. Byrd, a Democrat. In the New Deal years, Senator Byrd was almost alone in opposing the Social Security Act of 1935. He was against raising the minimum wage, and he voted consistently against reforms desired by organized labor, including the Wagner Labor Relations Act and the Wage and Hours Act.

Not only is there no Republican Senator who could match Senator Byrd's record; it probably would be hard to find one who would want to match it. For it must be remembered that there are a good many Republicans in Congress who recoil from the conservative tag.

Until the recent election, some of these called themselves "modern Republicans" or "Eisenhower Republicans." Several in the Senate who were calling themselves "Eisenhower Republicans" have now decided that the President's name is no longer a political asset, and they are describing themselves as "progressive Republicans."

Still, there are many Republicans in Congress who are proud to call themselves "Taft Republicans," after the late Ohio Senator. Their gripes at the moment are aimed at Nelson A. Rockefeller, governor-elect of New York. They accuse him of trying to hide his Republican banner in the recent campaign, and their favorite epithet for him is "New Dealer."

Getting back to the effect of the November landslide on the direction of Congress, it would be absurd to say that the election of 15 additional Democratic Senators and of 48 new Democratic Representatives won't make a difference.

But if the Democratic newcomers are not political radicals, as President Eisenhower alleged, what are they? How do they classify themselves?

Once they might have described themselves as liberals. However, thanks to home-grown communists and fellow travelers, the word "liberal" has been so badly abused and degraded that many of these Democratic freshmen shy away from it. They prefer to call themselves "moderates," a label made popular by Adlai E. Stevenson.

• • •

In the confusion over labels and blurred party lines, it is necessary to turn to those whose business it is here in Washington to report on Capitol Hill affairs—men like Jack Bell, veteran legislative correspondent of the Associated Press, and Robert C. Albright, legislative correspondent of *The Washington Post*.

They believe that, despite all the alarms of the 1958 campaign, the new Congress will follow a course not too far from the middle of the road. They expect that the two Texas moderates who have so long dominated Congress—Sen. Lyndon B. Johnson and Speaker Sam Rayburn—will continue to shape most of the legislation to be enacted.

That the conservatives still have to be reckoned with was made emphatically clear last month by Sen. Paul Douglas, Illinois Democrat.

Talking to representatives of organized labor, he told them to face the political facts of life, and urged them not to press for a new minimum wage of $1.25 an hour, but to try and have the present $1 minimum extended to millions who are not now covered.

After the election, there were widespread predictions that the country was about to see a momentous battle beween the White House and Capitol Hill, with President Eisenhower firing one veto message after another at the lawmakers. It might turn out that way, but it is far from a certainty.

At a news conference after the election, a reporter asked the President if he expected any additional trouble from the Democrats in the new Congress.

"Not at all," he said. "I believe there are a lot of them [Democrats] who want to do what is good for the country."

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Ford, Bacon & Davis, Inc., leading consulting engineers, are prominent users of Recordak Precision Engineering Drawing System. Shown comparing end result with original drawings are, l. to r.: *Bill Poor, Russ Westerhoff, Charlie Schneider.*

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NEW YORK, N. Y.

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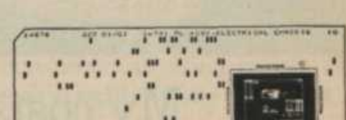

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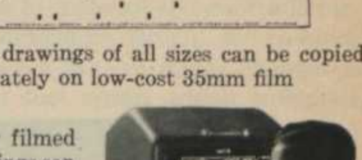

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RECESSION-PROOF YOUR COMPANY

Future opportunities, situations and problems are clarified by analysis of recent downturn

By PETER F. DRUCKER

THE BUSINESSMAN can learn some clear and practical lessons from the recession. It has revealed new problems, new situations and new opportunities within his business—problems, situations and opportunities on which he can take practical action.

The recession has shown:

- American business has undergone a considerable change in its economic structure and in the factors that determine its costs and profits.
- Definite ways to make a business or an individual depression-proof or at least depression-resistant.
- An important area of management in which American business, by and large, does not yet do an adequate job, although the tools for doing it are available.
- A major problem area in the economy, an area which only businessmen can tackle effectively.

Economists will long debate the 1957-8 recession, its causes and its course. It was a baffling year. The psychological impact was tremendous, on businessmen, on workingmen and on politicians; but it can even be questioned whether we really experienced a recession, that is, a disturbance of the national economy. Which, for instance, should be considered more significant:

That unemployment, between the fall of 1957 and the spring of 1958 rose rapidly and reached its highest point since the beginning of World War II, both in total numbers and as a proportion of the working force?

Or that employment remained so high that, in the worst month, more people were employed—both measured in total numbers and as a proportion of the labor force—than had (except for 1956/7) ever before been employed even at the crest of a boom?

Is it more meaningful, as a measurement of the economic climate, that production in three major industries, automobiles, appliances and steel, showed the fastest drop ever experienced in this country in peacetime?

Or that national consumer spending barely dipped at all and actually rose steadily if one takes out automobile purchases?

What, finally, are we to make of the contradictory behavior of the two indicators which, by common consent, are most sensitive to even minor changes in the economy: machine tool orders which collapsed, and farm income which rose steadily?

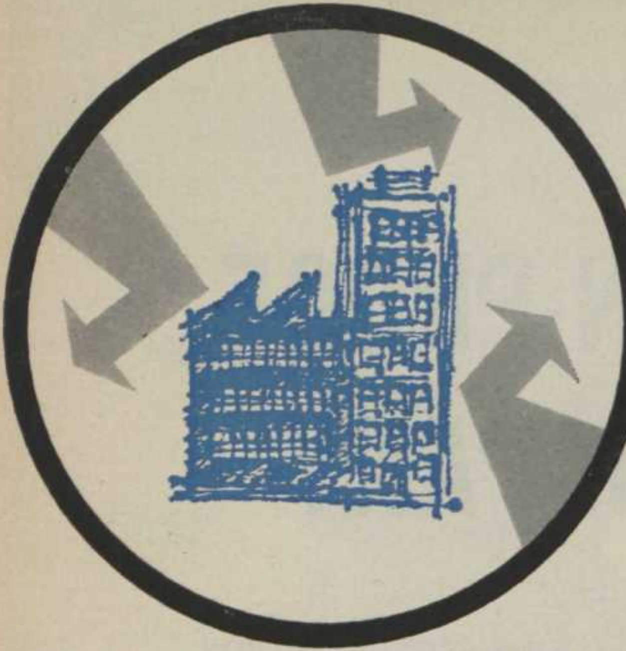
The fact—unprecedented in history—that the economists all agreed in their prediction regarding the duration and course of the recession, only adds to the bafflement because no two economists reached their conclusions for the same reason or interpreted the data the same way. Fortunately, the lessons to be learned are less baffling than the events that teach them.

Business has changed

The changes the depression showed in business were primarily three.

Personnel costs have become fixed

In the years immediately preceding the sharp slump that began in the late summer of 1957, businessmen and economists worried a good deal about the rigidity



Recession-proof companies

Tackle marketing job seriously

Know how to manage innovation

of labor costs. They feared that, in a setback, it would not be possible to reduce the labor force and to provide costcontrol and the necessary corrective adjustment. These fears proved groundless in the form in which they had been expressed. In industry after industry the rank and file labor force was reduced as fast as it had ever been—in some industries perhaps a bit faster. Wage costs per unit of production fell sharply as overtime disappeared—even though union wage rates still tended to creep up.

Yet numbers of people and their cost did prove extremely rigid—but the rigidity was not where we had expected it. Wage bills dropped fast; but total personnel costs did not drop—or they dropped much more slowly than ever before.

One major company reduced its manual labor force more sharply than it had ever done—about 60 per cent within six months. It actually reduced the labor force a good deal faster and further than production fell. But its total personnel costs fell only some 20 per cent. As a result this company went from a record profit in 1956 into sizable losses for 1958.

The explanation of this puzzling phenomenon was given, in the middle of the year, in a little-noticed release of the government's Bureau of Labor Statistics. This stated that in 1956, for the first time, the group which we call "managerial, professional and technical employes" had become the largest single group in the American working population, exceeding machine operators who, for 30 years, had been leading. There is now, in other words, one salaried employe doing managerial, professional and technical work for every man at the machine.

These people who work with their minds rather than with their hands are not, normally, laid off in short-term economic fluctuations. Their employment is dictated primarily by what the company hopes to produce and sell in the future rather than by the current order-level. In most cases, these people also represent too much of an investment for the company to disperse them lightly. To bring them back, once they have been let go, is often not possible at all.

This is a fundamental change not only in American economy and society but, above all, in the economic structure of most American businesses.

Most businessmen still think of labor costs as variable costs, that is, of costs that go up and down with the number of units currently produced. This is still true of manual labor at the machine. But it is obviously not true for the new kind of labor, the "managerial, professional and technical employe." These people not only equal in numbers the machine operators: they obviously are much better paid, too, so that they cost a great deal more to the business.

The situation is not the same in all industries. The automobile, appiiance and steel industries, for instance, are still largely manual rather than mind industries in their employment structure. In such industries as petroleum, chemicals or pharmaceuticals, on the other hand, the mind workers already outweigh the manual workers. In their costs, however, the mind workers are more important even in most of the industries that are still manual—simply because their annual salary is so much higher (as it should be).

This means first that the businessman must get used to the idea that it is not enough to know direct-

On a consulting and lecturing trip in Europe, Peter F. Drucker, management consultant, found businessmen constantly asking: "What did America learn in the depression that I can use?" In this article he gives his answers. Mr. Drucker offers a more detailed look at the future in his new book "Landmarks of Tomorrow" (Harpers) which appears this month.

labor costs. He has to know his total personnel cost—the total cost for all the people employed in the production and distribution of his goods and services. He has to assume that, by and large, these total personnel costs are more likely to be fixed costs than variable costs. He will not be capable of adjusting them downward if there is a short-term drop on business and order volume.

But this also means that the management of these managerial, professional and technical people becomes crucial. One lesson I learned from the recession is that personnel management must focus on these groups rather than, primarily, on rank and file machine operators as it has been doing in the past and is still doing in most companies. These mind workers not only represent the major personnel costs; they also must represent the major productive capacity and resource of the company if they are to justify their economic costs and risks.

Financial management

There is also need for a new look at financial management. If personnel costs are becoming fixed, profits, inevitably will tend to fluctuate more widely throughout the business cycle.

First, this requires greater ability on the part of the businessman to resist the temptation of building staff empires during good years—he has to realize that they will be with him during bad years as well.

Second, it means greater attention to capital structure and to the company's financial liquidity so as to enable it to survive sharp profit fluctuations without suffering financial damage. Business activity and employment this past year turned out to be a good deal less speculative than most of us had expected. But financial returns, even in industries that are commonly considered highly depression-resistant, turned out to be a great deal more volatile. This poses new problems for financial management, of the large as well as of the small business.

Capital investment

We can expect this to become even more pronounced, because another lesson of the recession will force us into even greater substitution of mind workers for manual workers.

Before the recession there was a great deal of talk that we were spending too much on modern equipment. A good deal of the new equipment, it was thought, while undoubtedly faster and more productive, would also be riskier economically—have a higher break-even point, high fixed capital costs and so on. But the recession proved that the new equipment, in most cases, is more economical than even equipment put in as late as 1949.

One example that brought this home to me was a paper company. This company had installed a big paper machine in the late 1930's, installed another one around 1948. Finally it had put in a third paper machine ($20 million investment) just before the recession. At that time the directors were worried because the new machine cost almost two and a half times as much as a machine of similar capacity would have cost in the late 1930's. They were also worried about its inflexibility, the high volume of production it seemed to require, and so on.

In actual experience during the recession the new machine beat the costs of the two older machines by some 14 or 16 per cent. One reason for this was lower maintenance and longer periods of trouble-free operations. But quality control was also better and easier. Contrary to all expectations, the machine even proved itself more flexible in its product mix.

This has been a common experience. It is, therefore, significant that we are now beginning to realize how much old machinery *(continued on page 86)*

Recession-proof individuals

Learn new things easily

Have capacity for self-development

Friendship can ruin your business

What a company can and should do to handle the problem of unproductive fraternization

ONE OF THE most delicate and potentially damaging problems facing modern business management is that of fraternization among executives.

If carried through with a sense of personal integrity, fraternization can be a valuable asset to the individual executive and his organization.

If allowed to drift without caution, it can force a manager to walk a tightrope between the zones of professional ethics and management by crony, and can warrant a company setting up protective safeguards for the good of the organization.

Businessmen who have considered the problem find themselves frequently in sharp and seemingly irreconcilable disagreement. Executives attending a recent meeting erupted into heated argument that ended in a dramatic cleavage of the group as a result of an impromptu discussion: "Is it all right for a superior to fraternize with his subordinates if he does so only with those whom he personally likes?"

This question—like so many involving fraternization—opens up a sensitive shadow zone of management.

But, with the growing recognition that the informal organization in management must be better understood and reckoned with as organizations grow, companies need to do some soul-searching on this matter. For better preventative management, we must have a better understanding of:

- Why fraternization exists.
- Its possible risks and abuses.
- What management can do about it.

First is the way in which you must look at the problem.

This matter of fraternizing by individuals who are attracted to each other is beyond the boundaries of a company's prerogatives, policies, or control. This is basic. It comes within the arena of personalities, likes and dislikes, personal selection, affinity among individuals, and the pursuit of social satisfactions on and off the job.

Management did not create it and so management cannot liquidate it. For the most part companies cannot legislate or control personal fraternization. There is no place for promoting Big Brotherism under the enthusiastic notion that this will broaden managers' outlook and achieve better interpersonal relations. This kind of effort can backfire. Nor is there a place for company meddling in the personal affairs of its employes. This, too, is inviting trouble.

Second, we must recognize that fraternization takes

shape in various ways. There is the association of a supervisor and several selected subordinates. This practice offers a high vulnerability to possible favoritism. Then, there is fraternization among managers on the same management level.

However, the fraternization pattern of greatest concern is that which mainly involves managers more or less on the same level but includes a member or two from an echelon immediately above or below.

This type is more significant for various reasons: it offers the larger number of satisfactions in status, personal pleasure, wider range of selectivity, access to company intelligence through informal organization, and other assets.

This kind of fraternization can cut across functional lines, spill over into several vertical echelons, and carry potentially greater cohesion of an "in" group which could influence company matters well beyond sociability. It is in action during the regular work day and carries over to relationships after hours.

Why fraternization exists

Fraternization among managers springs from several basic sources: It is a means of fulfilling one of the fundamental psychological drives—man's gregarious instinct, the need to belong. It is a way of living with the facts of organizational life—the realization that knowing and working harmoniously with the right people, being accepted in their circle of relationships, and getting to know what makes them tick, is an asset to the manager with ambition.

It is an extension of the communication system within management—a way of doing business through the informal organization. It offers a release from the stress, tension, and pressure of the manager's job—an escape from the burden of formal requirements which the manager encounters all day.

This is not new. More than two decades ago Chester I. Barnard, a pioneer in scientific management, highlighted fraternization among managers as "the most intangible and subtle of executive incentives." In writing "The Functions of the Executive," Mr. Barnard described this as a special kind of incentive and one which provides opportunity for comradeship, mutual understanding, and a possible base for cohesiveness.

What may be new is the changed setting. Fraternization has gained in intensity in this generation of suburban living and commuting together each day, country club memberships, executive dining rooms, hotel suites for the company's representatives on out-of-town business, the ambition of the management trainees, the growing army of staff men in companies, and the complexity of organizations which makes it easier, perhaps, to conceal the influence of cliques, office politics, or the old guard.

Men are drawn to fraternization for several reasons: to attain personal pleasure in friendships; to do business in a more congenial atmosphere. Fraternization enables the manager to find out and discuss, for example, what's behind the recent policy for consolidating the several plants in the Southeast, the chances for getting a waiver on the pending grievance case, or what seems to be wrong with the sales force.

Doing business in this way provides a better sense of timing, makes it possible to keep people posted and enables a man to send up some trial balloons. Especially important, it enables him to be critical of things going on in the organization without causing loose talk among his subordinates or having the boss blow his top. Through this face-to-face communication, he gains an understanding of the other man's views, feelings, attitudes, outlook, and approach to the problem and its solution.

The company which expects managers to back the company in its public relations in the life of the community is encouraging fraternization outside as well as within the organization. Men work together in financial drives for the local hospital, rebuilding and expanding the public library, electing officers in the Parent-Teachers Association.

Possible abuses—and risks

When fraternization becomes excessive, goes beyond friendship and sociability, distorts the manager's sense of conduct, it begins to make inroads upon the character and the effectiveness of the organization. This is where management must be on the alert.

Various companies have reported evidences of abuses such as these:

Too much inbreeding, smugness and a false sense of self-sufficiency in certain management levels.

Sacred cows which are not to be disturbed.

Factions and factionalism rather than informal cliques and sociability.

Favoritism in boss-subordinate relationships.

Discrimination in delegating authority, in making appointments to key committees, selecting men for promotion.

Stalling and resistance to innovation.

Choking off the flow of ideas and proposals because they did not originate within the fraternization group.

Mobilization at staff meetings, where group members support each other in slanting the problem under discussion.

Perpetuating rivalries between line and staff.

Lack of discipline in maintaining and enforcing company regulations.

In addition to these obvious abuses, there are others, even more potent but less easily visible, such as collusion which impairs interdepartmental teamwork, restricting the recognition and potential advancement of men who are not acceptable to the "in" group, informal communication far more powerful than the official communication lines, and managers tempering their decisions in order to cover up for individuals because of personal relationships.

Add to these such abuses as picking the same people to represent the company in professional meetings and trade conferences; throwing cold water on proposed training programs; divulging information concerning the private lives of individuals who are no longer within the group; tolerating horseplay, loafing, irregular attendance, and violation of rules; giving and receiving gifts which go beyond bounds of propriety; and, office politics and petty intrigue.

There are reports, too, of managers outside the group being made *(continued on page 64)*

GOVERNMENT RESTRICTS HOUSING GROWTH

America probably is underbuilding—by 200,000 to 300,000 units a year—because of these federal actions

THE GOVERNMENT has deliberately restricted the number of new homes Americans can build.

Through unpublicized manipulations of the VA and FHA housing loans and banking operations the federal government is able virtually to predetermine how many housing starts will be allowed.

As one result, America may be seriously underbuilding.

Available data now suggest that the 1955 rate of building new homes could have been maintained from 1956 through 1958—providing another 200,000 or 300,000 new homes each year.

This manipulation is done in an effort to maintain economic stability—that is, new home building is held back when the rest of the economy is growing and it is let go when the total economy is lagging.

Through this manipulation of the $17 billion housing industry the government is able to influence the whole $50 billion new construction industry and the entire economy as well.

A congressional investigation is already being planned. Laws involving FHA and VA home loans were passed by Congress to provide homes—not as a tool for economic control.

Congress will want to know:

1. To what extent the government is manipulating housing.

2. What economic effect this has on housing and other business.

3. Whether the practice is good or bad for the whole nation.

4. Whether the actions are in accordance with or in violation of the laws.

This debate could become one of the big activities on Capitol Hill this year.

Proposals for the direct control of credit, prices and wages as a means of stopping inflation are also certain to come before the Eighty-sixth Congress.

In view of these proposals it is worth while to examine the arguments used to justify the manipulation of the home mortgage market and consider whether it has actually served its purpose and how it has affected home building and the rest of the economy as well.

The arguments are five:

- Without controls too many houses might be built.
- Too many new houses in one year would steal markets from the future.
- Controlling the housing market reduces prices for materials.
- Because government helps housing, it has the right to decide what help to give and when to give it.
- It works.

Controls

Present controls on housing work like this:

In April 1955 the Veterans Administration and the Federal Housing Administration raised the effective down payment requirements for housing built with aid of their mortgages. The average in down payment required was raised from $200 to $250 for houses in the moderate price ranges.

At about the same time, the field offices, according to the 1956 Economic Report of the President, "were instructed to take coordinative steps to restrain federal underwriting of mortgages" in areas in which this restraint could most easily be defended.

To avoid difficulties that might result from pub-

licity, the areas in which this action was taken were never reported.

In July 1955 the FHA and the VA issued regulations requiring an additional two per cent increase in minimum down payments and reducing the maximum maturity by five years. One specialist, who believes that these curbs were necessary, calculated that the change in down-payment requirements of the VA operation cut off about one eighth of the potential VA market.

The FHA changes meant that the required down payment for all houses valued at more than $9,000 became 27 per cent. The minimum down payment on a $15,000 house bought with an FHA loan became $2,250, plus closing costs of possibly $250, making a total cash outlay officially required of about $2,500. This reduced the potential number of home buyers.

The Federal Reserve Bank of New York, at about the same time, cautioned commercial banks in its district about using bank credit for mortgage warehouse transactions. This was important. Warehouse transactions are designed to carry loans between the time mortgages are written and the time they are accepted by permanent investors. It is a form of interim financing, and sand in this cog slows down the whole mortgage-writing and building operation.

Mortgage warehousing credit extended by commercial banks rose not far from $1 billion in 1955 but went down about $100 million in 1956. This was a downward shift of $1.1 billion. In 1957, advances went down about $500 million more.

The chairman of the Federal Home Loan Bank Board on July 18, 1955, suggested to the presidents of the various Home Loan Banks that it would be desirable "to curb their forward commitments." In September, the Federal Home Loan Bank invoked formal restraints on borrowing which sharply curtailed the capacity of savings and loans to operate in many cities. The restraints were so rigid it was necessary to relax them somewhat within a month to enable associations to honor commitments already undertaken.

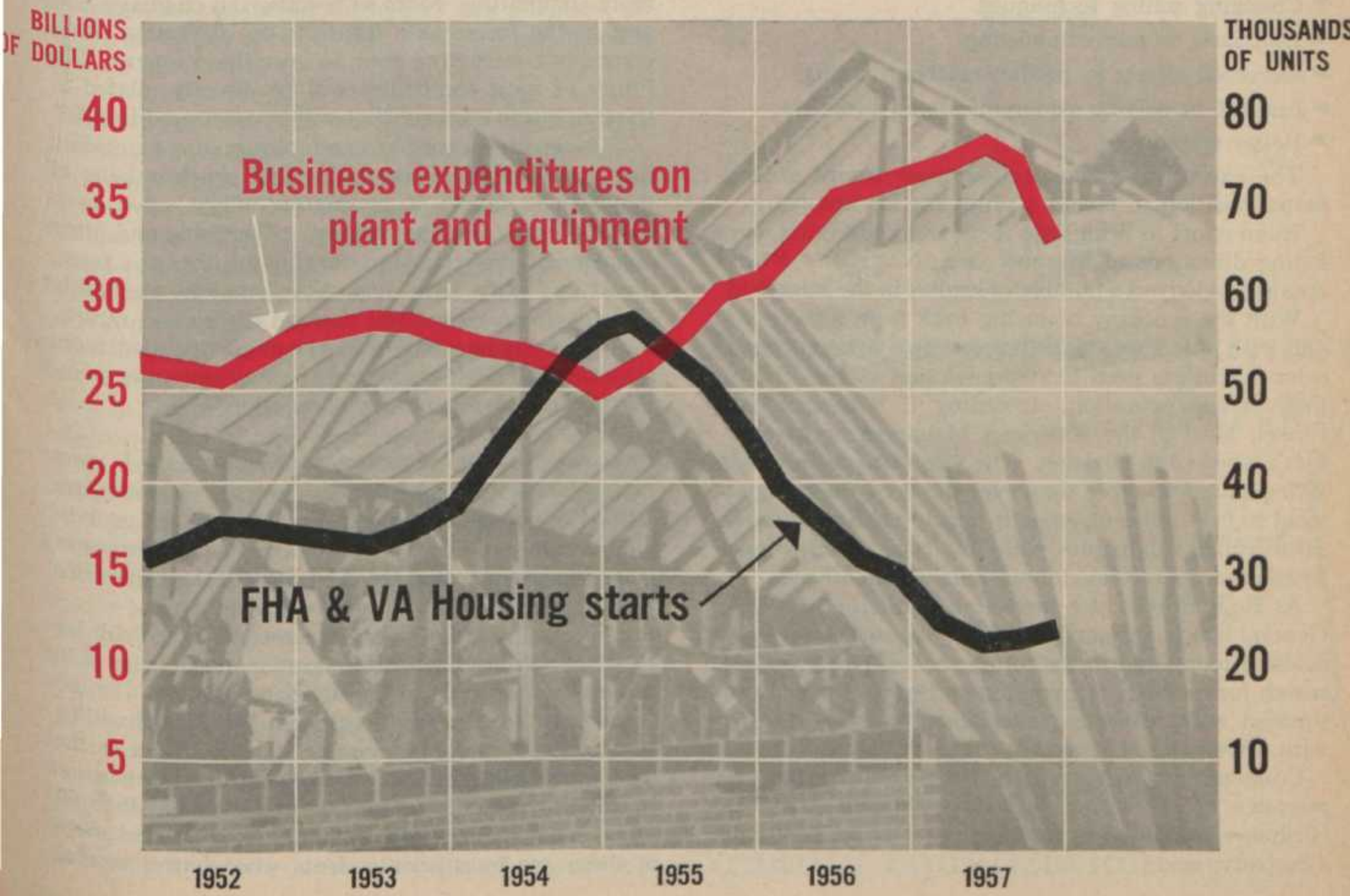
This control over borrowing proved effective in reducing mortgage-writing. Advances by the Federal Home Loan Bank Board rose $700 million in 1955. In 1956, they were curtailed by $200 million, making a downward shift of $900 million in the flow of funds. The drop of $1.1 billion in warehousing, plus the drop of $900 million in HLB funds made available in 1956, explains a good part of the decline in housing that year.

Through similar methods in 1957 and 1958, the government continued its effective controls over home building. We can now explore the reasons for this program and its results.

Too many houses

The first argument used to justify control of housing is that, if credit *(continued on page 50)*

As business expanded capacity and modernized plants, government action reduced housing volume in effort to take pressure off prices of materials and hold down cost-of-living increases



SALES TECHNIQUES FOR '59

Marketing success can come from an awareness of developing trends

TOP EXECUTIVES in the sales field see these trends throughout the next 12 months and for some time to come:

- ▶ Changing selling techniques.
- ▶ Emphasis on market auditing.
- ▶ Increased efforts to predict customer wants.
- ▶ Interest in solving communications problems.
- ▶ Better training.

The executive who perceives these trends is in a better position to create a profit for his company.

In an effort to bring into focus the underlying marketing directions of the new year, NATION'S BUSINESS sounded out a number of leaders in the sales field.

With the economy bouncing back from a recession and with changing marketing concepts and problems, sales executives need to step back and take a look at their whole operation, according to Coleman Lee Finkel, head of the American Management Association's marketing division. The business decline last year pointed up more than ever the need for management to have efficient, smooth-working and productive sales teams. Companies with this type of sales force weathered the recession much better than others.

As F. J. Borch, vice president, marketing services, General Electric Company, sees it, the successful sales division today and in the future must be in "constant search for methods of planning and control which can contend with marketing situations that are shifting with ever increasing rapidity."

Commenting to NATION'S BUSINESS on the importance of marketing in today's business, Lee S. Bickmore, senior vice president of National Biscuit Company, said:

"Marketing problems, opportunities and responsibilities in 1959 will be a continuation of 1958, only more so. More so because every day business is getting more competitive. More so because the emphasis now and in the foreseeable future is on marketing. As a company's marketing goes, so goes the company. The future of most companies will be directly related to the marketing strategy that will be employed in 1959.

"The greatest possible area for improving marketing lies in the effective correlating and synchronizing of the various facets of marketing. When sales, merchandising, promotion, pricing, advertising and other elements of marketing are working together as a team, then—and only then—can the complete marketing concept become operative and get the desired results.

"As marketing men we must be more astute and more scientific in 1959 if we are to have our companies maintain or increase their market position."

Changing selling techniques—Among today's most noticeable trends is the increase in mass or committee selling. Whereas a salesman used to call on an individual outlet and deal with the manager, he may now make his presentation before a purchasing committee that in turn supplies the individual outlet.

This is especially true in the supermarket field. Instead of dealing with the store manager, the field salesman often sells to the division supplier.

Sales authorities say that more of this trend will be seen in the future. One regional sales manager in the book publishing industry told NATION'S BUSINESS that in the past many of his sales were to the individual school principals or librarians. Now more and more of them are to superintendents who control several

schools. A side effect of this mass selling trend is a reduction of the sales force. One national company recently reduced the number of its salesmen by 20 per cent. At the same time it increased the number of purely servicing personnel hired by the marketing department to call on the individual outlets.

Another technique getting increased attention is the effort to sell large-ticket items by mail.

Ford Motor Company's effort to presell the customer by direct mail is an example of this technique. Ford advertises a "Buyer's Digest" for 10 cents. The digest sandwiches articles on such subjects as used car appraisal between descriptions of all of its own car models and accessories, with prices listed. A check list in the back of the digest permits the prospective customer to describe the car of his choice, take the sheet to his dealer, get an appraisal of his present car and, it is hoped, order a new one. If the prospect buys, he is given a small merchandise prize—in one case, gold anodized initials for his new car.

Harry R. White, executive secretary of the Sales Executives Club of New York, points to another technique that is getting increased attention—selling by telephone.

At one time, this technique was generally frowned upon. However, partly because of the rising costs of sales and diminishing profits, the practice has been given a second look. Mr. White says that a Sales Executives Club study on the use of the telephone in selling generated such interest that they published a book on the subject.

Market auditing will get increased attention this year and in the future. Market auditing is the effort of management to find out what it is getting for a return on the money and time put into sales. Analyzing this has always been a tricky task. However, modern management techniques are beginning to make the frustrating job a little easier.

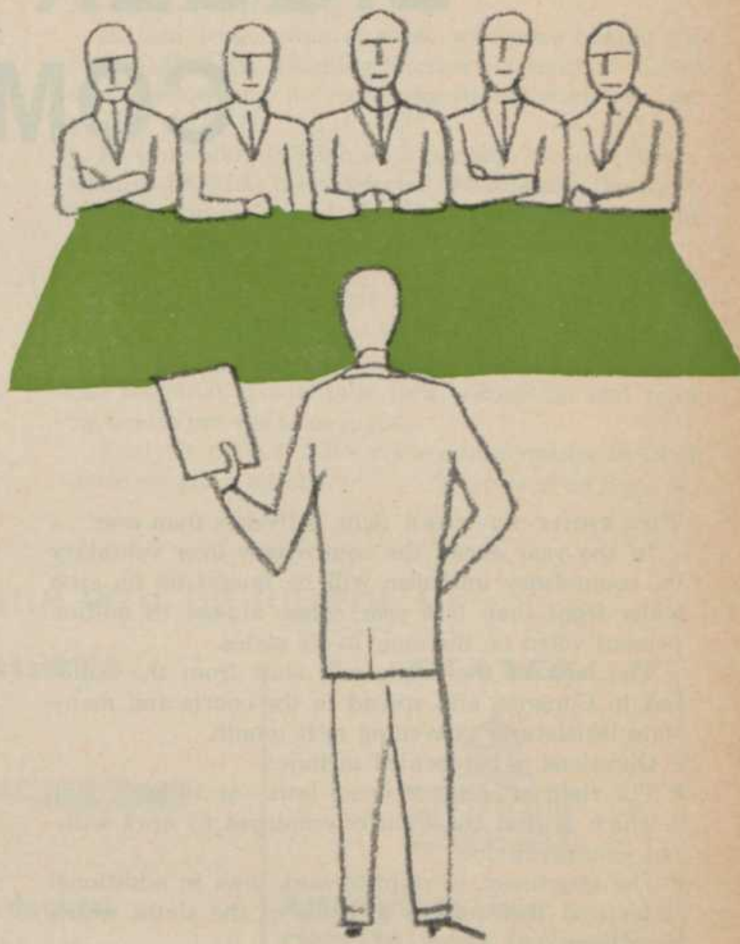
Next month the American Management Association will hold a seminar on market auditing. In one of the first conferences of this type, guidelines will be laid down to help management assess marketing effort.

General cost consciousness is stimulating the interest in market auditing. Managers can tell to the penny the cost of turning out a certain item in production, Mr. Finkel says, but they are at a loss in determining what it takes to sell it.

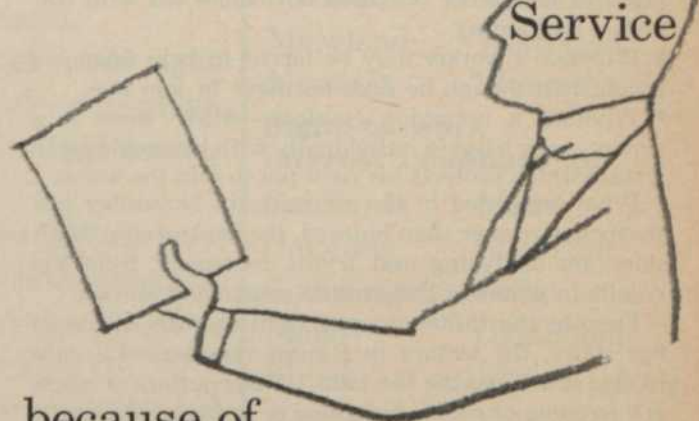
Mr. Finkel feels that in the future managers will be able to evaluate the marketing function objectively, systematically and exhaustively. It will be imperative to do so, he says, as the profit squeeze tightens and as competition stiffens.

The necessity for market auditing, Mr. Finkel says, is that in the day to day operating of a company, management is too close to the actual mechanics of the situation to see the "slowly evolving trends that develop in every field." It is necessary to step back and take a look at *(continued on page 76)*

Growing: Buying by committee



Competitive emphasis: Advice & Service



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RIGHT TO WORK:
BIGGER BATTLE COMING

Issue of compulsory union membership will focus in Congress, spread to many state legislatures, courts

THE RIGHT-TO-WORK fight is livelier than ever.

In the year ahead the controversy over voluntary vs. compulsory unionism will be fought on an even wider front than last year, when almost 13 million persons voted on the issue in six states.

The heat of the battle will shift from the ballot box to Congress and spread to the courts and many state legislatures convening next month.

Questions to be decided include:

▸ The right of states to enact laws—as 19 have done—which protect the right of employes to work without joining a union.

▸ The enactment of right-to-work laws in additional states and their repeal in some of the states which have them.

▸ The legality of right-to-work ordinances passed by local communities and counties.

▸ Whether compulsory union dues may be used for political and other purposes not connected with collective bargaining.

▸ Whether a worker may be forced to help finance a union even though he does not have to join one.

▸ Whether a nonunion employe—where there is a union—may bargain individually with his employer in a state which protects his right not to join the union.

What happened in the six states in November has sharpened, rather than blunted, the controversy. Both sides are analyzing and trying to benefit from the results in planning their future course and strategy.

Despite the failure to put right-to-work across in five states, the victory in Kansas represented a gain of one state, making the total 19. Supporters of workers' freedom of choice in joining or not joining a union view the Kansas win as proof that the public will accept the right-to-work principle if properly educated on the issue over a sufficient period. Right-to-work forces were active in Kansas long before the governor vetoed a bill abolishing compulsory unionism in 1955, and will keep on fighting to protect the law just enacted by the people.

Union officials and other opponents of right-to-work laws view the failure of referendums in California, Colorado, Idaho, Ohio and Washington as reflecting a shift in public sentiment against such laws, and an indication that the time is right to shift from defense against right-to-work legislation to an all-out attack on it.

Here is how and where the opposing forces will come to grips:

In Washington

Section 14(b) of the Taft-Hartley labor law allows states to prohibit compulsory unionism, although the federal law does not do so.

Labor unions and other forces opposing the principle of protecting the right of employes to work without joining a union feel they have a good chance of getting Congress to repeal this section as a result of labor's many successes at the polls two months ago.

Success in this would be a ten-strike for labor, for it would virtually nullify all 19 state right-to-work laws and preclude their enactment by other states.

Those supporting the right-to-work principle have made defense of Section 14(b) their primary objective. If this fight is lost in Congress it will be lost in the states, too.

Despite a big increase in Democratic and labor strength in the new Congress, the right-to-work forces have two points in their favor: One is that most of the right-to-work laws are in southern states whose congressmen are not likely to vote to nullify a law of their state. A coalition of southern Democrats and

northern Republicans could block repeal. The other is the likelihood of a veto by President Eisenhower if repeal should get through—unless it is part of other important labor legislation the President may want to accept.

Action in states

State activity will be primarily in the legislatures.

Strong attempts to pass right-to-work laws are expected in eight of them: Delaware, Louisiana, Maryland, Montana, New Mexico, Washington, Wisconsin and Wyoming.

Delaware and Louisiana have had right-to-work provisions, which were repealed. Delaware's was part of a general labor law passed in 1947 and repealed in 1949. Louisiana's right-to-work law was passed in 1954; two years later it was repealed in a deal with legislators from farm sections and made applicable only to farm workers.

In Montana, a right-to-work referendum narrowly missed getting on the ballot last fall and was rejected in a 1956 referendum.

In Washington, referendums were defeated last year and in 1956, but by a smaller margin the second time. The Committee for Voluntary Unionism, Inc., has begun a "new campaign for freedom from the dictatorship of corrupt labor bosses." Its program calls for:

1. An "Operation Watchdog" during the legislative session to guard against punitive action sponsored by unions.

2. Sponsoring constructive legislation "with teeth" to curb labor abuses.

3. Sponsoring candidates for the legislature and Congress who will support voluntary unionism.

4. Arousing opposition to repeal of Section 14(b).

High interest in right-to-work legislation continues in California, Colorado, Idaho and Ohio (where referendums were defeated last fall); Connecticut, Illinois, Kentucky, Maine, Michigan, Oklahoma, Rhode Island and Vermont.

In California, some of those who were behind the losing effort are planning another referendum in two or—to allow time for more educational work—in four years.

In Colorado, decision on a possible second referendum in 1960 has been deferred. Meanwhile, the right-to-work group behind the last referendum is being kept together for future need, unless Congress repeals Section 14(b).

In Idaho, the executive committee of the right-to-work group will continue to plan future action.

In Ohio, right-to-work supporters are not giving up, but feel that it will take time, education and more money to put the issue across.

Analysis of last fall's referendum results by both sides reveals a number of *(continued on page 46)*

Right-to-work issue will be fought in

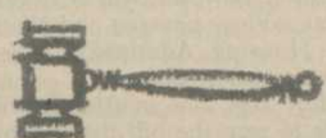
CONGRESS

Attempts will be made:

To kill all 19 state right-to-work laws by repealing Section 14(b) of Taft-Hartley which sanctions them.

To forbid unions to use for political purposes dues paid under compulsory memberships.

COURTS



Courts will decide:

Whether labor laws permitting use of compulsory union dues for political purposes are constitutional.

Whether certain state right-to-work laws allow employes to bypass union and bargain individually.

Whether under certain state right-to-work laws nonunion employes may be forced to help finance union.

Whether local right-to-work laws are legal.

STATES

Attempts to pass right-to-work laws will be strongest in:

Delaware	New Mexico
Louisiana	Washington
Maryland	Wisconsin
Montana	Wyoming

Right-to-work interest continues in:

California	Maine
Colorado	Michigan
Connecticut	Ohio
Idaho	Oklahoma
Illinois	Rhode Island
Kentucky	Vermont

Repeal efforts will be strongest in: Indiana

An authoritative report by the staff of the

HOW'S BUSINESS?

today's outlook

AGRICULTURE

Realized net farm income in 1959 is expected to drop below 1958 but remain somewhat higher than the 1957 level. This is the consensus among economists at the recent U. S. Department of Agriculture's Annual Agricultural Outlook Conference.

The principal causes for reduced income prospects are mounting farm production costs, termination of the acreage reserve payments and lower hog prices from increased marketings in 1959. The release of some 17 million acres from the acreage reserve, termination of the acreage allotments for corn, and authority to increase cotton acreage means that crop production next season could approach the record output in 1958 with only average growing conditions. Accordingly, lower prices are also likely for most of the basic crops, feed grains, poultry and eggs.

On the plus side is the continued strong domestic demand for farm products and the upward trend in farm assets, land values and levels of farm living. The value of total farm assets is expected to reach about $200 billion by Jan. 1, 1959, up seven per cent over last year.

CONSTRUCTION

Look for almost immediate action by Sen. John Sparkman on housing legislation as the new Congress opens this month.

His proposal is likely to be a more costly version of the one which died in the House last year after passing the Senate.

Housing proposals this session, which would include community facilities, may total as much as $5 or $6 billion.

Slated to get the most immediate attention, however, will be urban renewal, college housing and the Federal Housing Administration's insurance authorization.

Many feel that an attempt will be made to ram the bill through on an emergency basis much the same as the so-called Emergency Housing Act of early 1958, which went through the Congress in less than a month from hearing to passage.

CREDIT & FINANCE

Consumer spending has shown a marked upward tendency, with outlays expected to set new highs in the fourth quarter of 1958.

Savings by consumers were large in the first three quarters of 1957, and held at firm levels throughout the 1958 recessionary period.

It is anticipated that this trend will continue well into the first quarter of 1959.

The rapid population growth, high and continued rising incomes, large-scale movement to the suburban areas, and the increasing importance of the younger age groups have maintained strong pressures on community services and facilities. Of special note have been the bond offerings for construction of new facilities, such as schools and highways.

Conventionally financed mortgages will continue to compete with units financed under federally underwritten programs, as the strong general demand for mortgage credit continues.

DISTRIBUTION

Expectations of moderate gains in over-all business during 1959 evoke a bright outlook in the wholesale, retail and service trades.

A sampling of retail merchant viewpoints reveals an expected average volume increase of eight per cent in the early months of this year over the same period last year.

The same survey also shows that retailers believe the spring upturn will be broad enough to affect nearly all merchandise lines.

Department store sales, nationally, are expected to hold an edge over year-ago levels throughout the first half.

Sales relief enlivens activity among auto dealers as new car deliveries pick up. Moreover, dealers' order books are bulkier than a year ago.

Another bright note is that the late-1958 sales perk-up in appliances, hardware and house furnishings is not losing momentum.

The nation's food stores last year were the sales pacer in the retail field, outpointing year-before volume by seven per cent.

FOREIGN TRADE

American firms doing business abroad are being urged by business and government experts to look more carefully at each country as a separate market with individual needs and methods of doing business.

Consumers all over the world are becoming more selective. The label "Made in the U. S. A." cannot replace active promotion, quality, service and attractive prices and credit terms. Aggressive marketing techniques and practices are required to meet the rapidly growing competition which American goods are experiencing in Far Eastern markets, for example. Competition, especially from western European countries and Japan, is tempering the demand for U. S. goods, according to government sources, particularly in lines such as textile machinery.

European cars also are gaining ground in some Far Eastern markets where the United States was once the leader. Price, size, gasoline consumption, local assembly, dollar import restrictions enter into this trade shift. (See Taxation below.)

GOVERNMENT SPENDING

Despite efforts by the President and the Director of the Budget, the fiscal 1960 budget will probably not stay balanced. The picture, however, is somewhat brighter than it was. The President's estimated balance depends on hoped-for congressional action in adopting legislation which would reduce costs.

Defense spending, the President says, will be higher, but even there the economy squeeze has been applied more stringently than at any time in recent years. The progressive rise in nondefense spending will appear in the President's budget to be stopped and some retrenchment realized.

Current indications are that fiscal 1959 will end closer to $10 billion than $12 billion in the red. The upsurge in the economy, with its yield of increased revenue, will be primarily responsible.

LABOR

States will be faced in the next Congress with the threat of federal regimentation of their own unemployment compensation programs. This threat will arise early because the Temporary Unemployment Compensation Act of 1958 expires April 1.

Organized labor will make a major effort to get minimum federal benefit standards established. This will inevitably lead to minimum standards for benefit duration, conditions of eligibility, disqualifications and financing.

These strait jacket standards would destroy individual employer experience-rating which has enabled many employers to reduce their state UC tax costs by regularizing employment through careful production planning. The public has benefited through lower costs, and through improved job stability.

States have adjusted UC benefits to fit changing conditions. Today's benefit check will buy 40 per cent more goods than its 1939 counterpart. Many states have increased benefit duration by as much as 60 per cent.

NATURAL RESOURCES

Another tug-of-war may develop in the upcoming Congress over how much the federal government should spend on major water resource projects. Congressional leaders may not demand a crash program, but they will oppose any proposed stretchout of spending.

The tug-of-war will come if the President's budget for 1960 includes a minimum of new projects for water, power, and reclamation. This is a likely prospect, too, because in signing the 1959 appropriation bills, he indicated the increases over 1959 budget requests would lower 1960 estimates.

But Chairman Aspinall of the House Interior and Insular Affairs Committee has in mind an eight-year construction schedule for the Bureau of Reclamation costing nearly $300 million a year. It would involve 34 new starts in 13 states.

TAXATION

Hearings just conducted by the Ways and Means Subcommittee on Foreign Trade policy outlined needed shifts in our procedures for the taxation of income derived from foreign sources. Russia's new Seven-Year Plan points up clearly the strength of the Soviet economic offensive and the need for prompt counter measures if this country is to maintain its world commercial leadership.

The Russians are all out to show that they can expand their economy to one as great as ours. Even if not wholly successful within the time set—by 1965—the move will enable them to accelerate their foreign penetration through added aid to underdeveloped countries.

To meet and contain these expansive pressures American business needs incentive to go abroad, and assurance of nonpenalty treatment.

The hearings of the subcommittee headed by Rep. Hale Boggs (D.-La.) have brought these problems into full view and from them may come a new realization of the part private capital can play in supporting government efforts to maintain world leadership.

TRANSPORTATION

Transportation's strong close in 1958, plus indication of continuing high volume activity for the economy as a whole, gives strong assurance of a good year ahead for the industry.

Based on preliminary estimates, total ton-miles of intercity movements of commodities for 1958 came to 1,240 billion, down about seven per cent from the 1957 total. The 1958 deficit fell heaviest on the railroads (down 10 per cent from 1957) and the Great Lakes operators (down 30 per cent).

Losses in tonnage for all modes were greatest during the first half of 1958. Increased economic activity during the second half, and particularly during the fourth quarter, offset earlier losses.

In travel, 1958 was a slightly better year than 1957. For 1958, advance estimates now available show a total of 729 billion passenger miles, up 10 billion, or about one per cent over the preceding year.

Automobile travel was up two per cent in 1958, and travel on domestic airlines increased about one per cent, which together more than offset a 10 per cent reduction in rail travel and a two per cent decline in bus travel.

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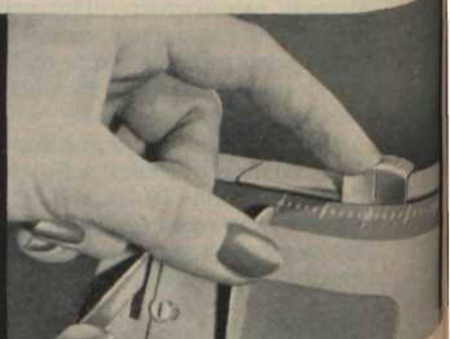

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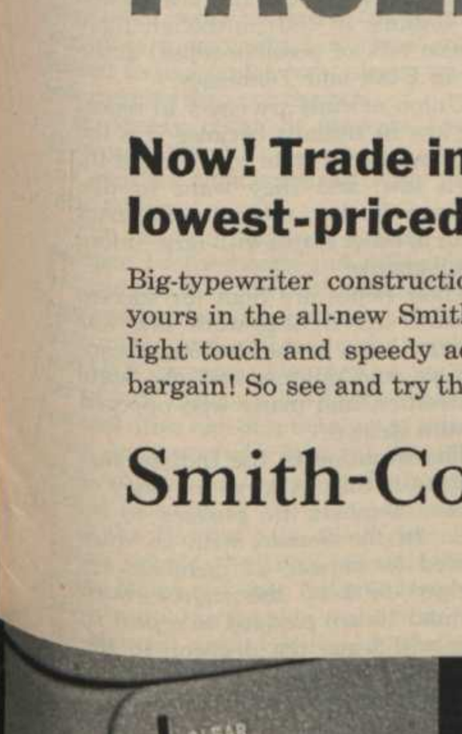

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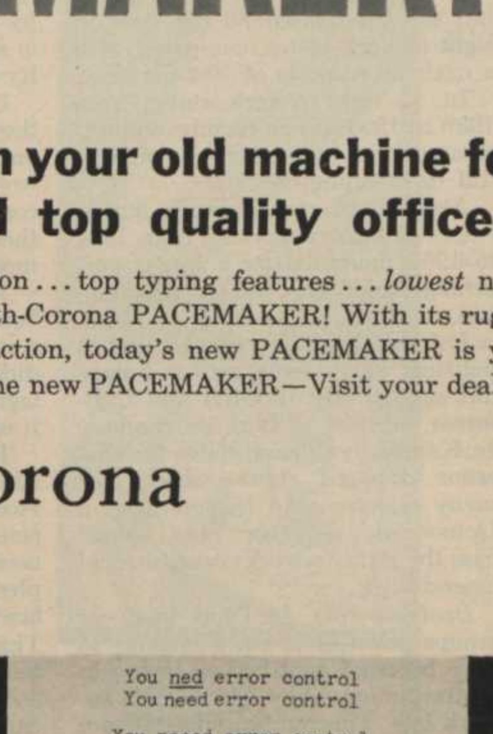

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A long educational campaign is needed as a basis for sound electoral decision

factors which were important in the outcome and will likely be considered in future campaigns:

Money: A successful right-to-work drive requires twice as much effort as that put out by its opponents because the public is loathe to change things—particularly to pass a constitutional amendment—without convincing evidence of the need.

This includes finances at least matching those of the other side. It is estimated that the groups fighting right-to-work last fall outspent the backers by five to one—$5 million to $1 million. The ratio was roughly the same in all five states where the issue lost. In Kansas, where right-to-work passed, spending was about even.

Education: The extra effort required to put right-to-work across also includes education, which to be most effective should be conducted over a long period and should be persuasive.

In Kansas, the voters knew 17 months ahead of time, by decision of the legislature, that the issue would be on the ballot last November. This made it easier for supporters to conduct a well rounded campaign, which is being continued to keep the new law and see that it is properly enforced.

In the other five states, where initiative petitions were circulated, it was not known until a few months before the election whether the issue would be on the ballot.

Voters apparently were not persuaded that a right-to-work law would not weaken unions or that it would clean up corruption of the type exposed by the McClellan Committee.

Unions seemed to have had some success in making right-to-work a pocketbook issue, particularly in Ohio. They hammered away at the idea that voluntary unionism would weaken job rights, cut wages, reduce the housewife's grocery money. TV cartoon commercials produced by the AFL-CIO actually depicted frightening consequences.

Right-to-work groups made some attempts to disprove the unions' economic arguments. In the state of Washington, for instance, Job Research, Inc., offered $10,000 reward to any person who could prove that a right-to-work law had any substantial adverse effect on wages, and got no takers.

Job Research distributed literature citing statistics which showed that:

From 1947, when most state right-to-work laws were passed, to 1957, personal income increased more than the national average in states prohibiting compulsory unionism—56.7 per cent compared with 54 per cent.

From 1950 to 1954, the number of business operations increased 10 per cent in the right-to-work states, compared with a national average of four per cent.

Nonfarm employment increased 31.7 per cent in right-to-work states from 1947 to 1957, compared with a national average of 20 per cent.

Over the same period, dollar retail sales increased 80 per cent in right-to-work states, compared with a national average of 70.2 per cent.

In 16 right-to-work states from 1939 to 1953, union membership increased by a larger per cent than it did in Washington.

Also in 16 right-to-work states, wages of factory workers from 1951 to 1957 increased by a larger percentage than they did in Washington.

Politics: Making right-to-work a political party issue, which unions did successfully in Ohio and California, seemed to hurt its chances. In Kansas, both candidates for governor opposed right-to-work, but many a voter who helped elect a Democratic governor also helped pass the right-to-work constitutional amendment.

Business role: In Ohio, business groups now feel it was a mistake to have become identified as trying to reform unions through a right-to-work law. The public did not seem to view business as the proper source to reform unions, and apparently did not welcome such activity on its part.

A private poll of public opinion showed that 72 per cent of Ohioans did not want to see unions either injured or given more power, and that a majority believed that a neutral—the government—was the proper agency to make corrections.

Unions went a long way to minimize their interest in the fight by making the defense against right-to-work laws appear to be one of general public concern rather than a problem for labor unions alone. They sought and utilized the aid of the clergy, prominent public figures, and even some businessmen.

The newly organized National Council for Industrial Peace served as a useful front in that regard. It set up committees in all six states where the referendums were up, and worked closely with labor groups. It was most effective from a public relations angle. If a Republican, for example, made a right-to-work statement that needed answering, the answer would not come from a union leader.

It would come from a member of the National Council's committee, who usually would be some public figure and more often than not another Republican.

While the major repeal fight will be on Section 14(b) in Congress, unions are not overlooking any chances of repealing individual state laws. They feel they have their best chance, and will make their strongest effort, to repeal the law passed by Indiana in 1957, although there is also talk of possible repeal activity in Utah and Tennessee.

Union officials are eager to repeal the law in Indiana because it is the only industrial state with a right-to-work law, and they want to discourage further attempts to enact them in other states with large union memberships.

Their hopes are high for success because the right-to-work law was a major issue in the election of candidates to Congress and the state legislature, and many who opposed it were elected.

The situation in the Indiana legislature is this: A large majority of House members are pledged to repeal. In the Senate, with 26 votes needed for repeal, 22 members are pledged to keep the right-to-work law and 15 are pledged to repeal it. This will leave the decision in the hands of 13 uncommitted members, assuming none of the committed candidates switch.

Only in Louisiana has a specific right-to-work law been repealed, although laws containing right-to-work features have also been repealed in Delaware and New Hampshire. The Maine legislature passed a right-to-work law in 1947, subject to approval by the voters, who rejected it in 1948.

The DeMille Foundation for Political Freedom sounded the keynote for right-to-work supporters in its

first bulletin following the November elections:

"We are not retreating. It took 50 years to get women the right to vote. With increased determination and harder effort, we can still gain for every American the right to work."

Local laws

The question of whether local communities may pass right-to-work ordinances in states which do not have a right-to-work law is before the Supreme Court of California. Such ordinances have been enacted in five counties and two cities, Palm Springs and Carmel.

Union appeals in the lower courts have been successful in having the ordinances declared illegal in two counties, San Benito and Tehama, and in Palm Springs. Main ground: The ordinances violate the state policy which condones compulsory union membership agreements between employer and union.

Political dues spending

Do unions have a right to spend, for political and other purposes not associated with collective bargaining, dues money which workers are forced to pay under compulsory union membership contracts?

A county court in Georgia has answered, "No."

Congress may come up with its own answer.

The Georgia decision, against 15 railroad brotherhoods and railroads with whom they have all-union shop agreements, is being appealed by the unions and will probably reach the U. S. Supreme Court. As a matter of fact, the so-called Looper case, named after one of a number of railroad employes who brought the action, stems from an earlier Supreme Court decision in the Hanson case.

In the Hanson case, the Supreme Court upheld the 1951 amendment to the Railway Labor Act which permits compulsory union membership for railroad employes, even in states with right-to-work laws.

The highest court said at the time, however, that it was not passing on the validity of compulsory union membership if the forced dues, initiation fees or assessments are used to enforce "ideological conformity" in contravention of the Constitution.

In the Looper case, instituted to test this point, the Georgia court found that the employes' forced dues were being used for political purposes, and that, by allowing this, the labor contracts and the Railway Labor Act violate personal and property rights guaranteed by the Con-

RIGHT-TO-WORK
continued

Test case to come on the agency shop

stitution. The court's decision was sweeping enough to affect the constitutionality of the Taft-Hartley law on this same point if it sticks in the higher courts.

Because it covers so-called "political education" activities, the decision if upheld would cripple the political programs of the AFL-CIO Committee on Political Education and other union political groups doing such work.

The decision is also significant because it was made on the basis of an agreed stipulation of the facts. The court cited these facts:

► Union dues of the railroad employes are being used "in substantial part" to support candidates for local, state and federal offices.

► They are being used to support, propagate and foster ideological and political doctrines to which the complaining employes do not subscribe.

► They are being used to publish newspapers, magazines, letters, bulletins and periodicals, a substantial part of which are devoted to matters not related to collective bargaining, but advocating political ideas and advancing national economic concepts to which the complaining employes do not subscribe.

► The publications try to convert the employes to political and economic ideologies espoused by the union leaders, to which the employes should not be subjected and with which they do not agree.

► The railway union contracts are simply devices by which the property of the employes is extorted or extracted from them and is being perverted for purposes other than collective bargaining, and to that extent the Railway Labor Act is unconstitutional.

In Congress, efforts will be made to tighten political spending by extending the ban on union and corporate political expenditures to indirect as well as direct outlays.

Sen. Carl T. Curtis of Nebraska has been trying to get a bill through to protect the "political freedom" of workers who are forced to pay union dues which are then used to support political candidates and principles of which they may not

approve. The senator has cited an instance in which a union member running for office was contributing to his own defeat through dues payments which were being used to support his opponent.

Senator Curtis would deny the privilege of a compulsory union membership contract to a union unless it could certify that it was not using the dues money for direct or indirect political expenditures.

Union financial support

Where unions cannot get a contract requiring all employes to join a union, they sometimes succeed in forcing them at least to pay the equivalent of dues to help defray the cost of the union's "services."

This is called an "agency shop"; the union doesn't get the objecting employes as members, but it gets the equivalent of dues and other fees they would pay if they joined.

The question has arisen as to whether such an arrangement violates various types of right-to-work laws.

Laws in Arizona, Indiana, Nevada, North Dakota and Kansas do not include prohibitions against the making of such payments by nonunion members.

In Nevada, however, the attorney general has notified the state labor commissioner that such arrangements would violate Nevada's right-to-work law.

Unions plan to bring a test case to upset the ruling.

Individual bargaining

Ordinarily, a union that is recognized as bargaining agent for a group of employes speaks for all employes in the group, whether or not they join the union. That is the basis for union criticism of nonunion employes as "free riders."

In South Dakota, however, the attorney general has ruled that, under the state right-to-work law, employes not members of the union have a right to make individual concessions with their employer as to wages, hours and working conditions.

AFL-CIO President George Meany has attacked the ruling, which no doubt will be contested, as proof that right-to-work laws are designed to break unions.

Supporters of right-to-work say, on the other hand, that the unions' insistence on representing all employes in a bargaining unit, whether or not they are in the union, is proof that the nonunion members are really not free riders, but forced riders. END

Curtailment of housing could add to overinvestment in other construction

is not controlled, too many houses may be built, with a result that vacancies will be created and building activities curtailed.

If family formation is increasing at a rate of 850,000 a year and 300,000 houses are lost as a result of demolition, conversion, fires, and other causes, the real market would appear to be 1,150,000 units a year.

If, however, the argument runs, the volume of home building rises to more than 1.3 million, as it did in 1955, we would be adding more than 10 houses for every nine households added. This could put heavy pressure on prices and create vacancies. The volume of home building then would drop until the number of households caught up with the volume of home building.

Too heavy building in any one year may, therefore, occur at the expense of markets for the following years. The intention is to protect the industry against this error.

This is a dangerous undertaking. To succeed in it, individuals in Washington must know or find out how many houses should be built. The data on which to base such a decision are not precise. Estimates by the Department of Labor and the Department of Commerce on the number of houses that were built from 1950 through 1956 differ by more than 25 per cent. BLS indicates an average volume of building during this period of about 1.2 million a year. Census data indicate the yearly figure was about 1.5 million units. These are useful indices, but they are not accurate enough to be used as guides to future needs.

Similarly, the data on household formation are too crude to be used as measurements of demand. One Census publication indicated that the total number of households as of December 1956 was 49.9 million. A release six months later gave the number in March 1957 as 49.5 million—400,000 less than it had been three months before.

Another release Nov. 12, 1958, suggested that the higher figure was probably more nearly correct but that it was impossible to know what the real figure was. The Census is careful to point out that annual figures on household formation are too subject to error to be valuable as more than orders of magnitude.

Even if the figure were adequate, the demand for housing depends on changes in ability to pay and in the size and age of families as well as on changes in numbers. As its size and income rises, a family is likely to want a bigger and a better house. A family with an income of $10,000 a year and four children would not be interested in the number of vacant one-bedroom houses.

The housing demand is, therefore, determined by specific changes in numbers, income sizes and locations of families as well as by the types, sizes, quality, price and location of houses available. Over-all data give few national clues to these questions. Local builders, mortgage men, and prospective home owners can interpret the local facts better than can individuals in Washington.

It is always possible that too much

housing of a given type will be built in a given area. There is also a possibility that a Washington staff will make a mistake. An error in Washington may affect building throughout the United States. A local mistake may affect building only in a restricted area.

Stolen markets

The argument that building at above average rates in one year steals from future years is also open to question. An average figure does not necessarily apply to any one year. Numbers of births are not absolutely even year by year. The number of marriages fluctuates. Incomes vary. Migration is not consistent and people's desires shift.

In any one year several of these factors might combine to raise demand above average levels. Should some of these people who, as a result of this combination of forces, are trying to buy more housing than usual, be told "too bad—you can afford the house; you need it; you want it; but the statistics say you should wait another year or two"?

When demand exceeds supply, prices tend to rise but also new methods are developed for speeding up construction. When supply exceeds demand, profits are cut, but methods are learned that result in increasing efficiency.

Our economy progresses as a result of failures just as it progresses as a result of successes. Too much stability may be almost as dangerous as too much instability.

If families in one year find they are able to buy and to use to advantage an appreciably higher volume of houses than was built the year before, it would seem that the benefits to be derived from the use of these houses should not be ignored.

Price reduction

Another argument for housing control runs this way:

There are times when businessmen, as a whole, believe it is to their advantage to invest heavily. They expand capacity, modernize plants, and create facilities for new products at greater rates than the market can support. This puts pressure on prices.

However, the housing industry takes many of the same materials that go into business plant. If the volume of home building can be reduced, pressure on prices will be eased and automatic cost-of-living wage increases will be held down. Then, when the volume of business investment drops, home building can again be encouraged. Support to housing will support the demand for materials and equipment when such support will be helpful.

This will reduce the chance that a decline in business investment may precede a general, serious decline in the economy. To paraphrase a student of the subject—instability in other segments of the economy can be countered by creating instability in the housing industry.

The weakness here is that the results of housing manipulation are not foreseeable. It is possible that curtailing housing will reduce price pressure. It might equally well encourage industry to overinvest.

When prices rise, something may be out of adjustment. Holding down prices by reducing the building market may encourage maladjustment in other areas.

Housing, moreover, does not take exactly the same materials as other types of investment take. More

lumber is used per dollar of home building than in other types of construction or in producing machinery. An expansion in the purchases of business equipment, which puts pressure on the wholesale price index, does not necessarily put pressure on lumber.

Holding down housing may, therefore, hurt lumber and other industries while it diverts contractors to already overburdened commercial and industrial markets.

There is considerable flexibility among subcontractors and some flexibility among the producers of components. There may be less flexibility among building trades workers. The electrician who is skilled in wiring houses may have to make a considerable adjustment if he is to shift to wiring for heavy equipment in a factory. Cutting back the volume of housing to offset excesses in other industries may mean creating unemployment in one area to make overtime easier in others.

How much help

The fourth reason advanced for governmental control over housing volume is based on the premise that government has decided that housing is more important than other industries and so it should be given special assistance. Because the government is giving the housing industry this assistance, the industry should have no complaint if the government shuts the valve.

This commonly accepted belief is, in part at least, a fallacy. The government gave financial aid to industry and to housing in the depths of the depression. The direct aid to industry via RFC was relatively minor and, as recovery progressed, alternative sources for financing were redeveloped. The aid given housing came in the form of entirely new institutional devices, the Home Loan Bank Board and the Federal Housing (and later the Veterans) Administration.

These devices did three things. First, they brought housing and mortgage finance out of the slough of despond. They brought the industries to life again. The industries would have come to life in time but government intervention speeded up the process. Second, government intervention stimulated progress in the methods of mortgage financing. The FHA made long-term amortized loans respectable, and customary. Third, government action created devices for pooling mortgage funds. The governmental institutions became the cheapest and most effective devices yet created for channel-

Aid to housing has been unbalanced, contributing to the flight to suburbs

ing funds to capital deficit areas, such as the South and the West.

Federal intervention thus created a federal financing structure which cut the cost of mortgage finance, reduced down-payment requirements, and demonstrated that relatively easy mortgage terms were a good lending risk. Just as easing financing terms for automobiles expanded the automobile market, this governmental action expanded the housing market.

Housing volume would be appreciably less today without the credit practices which have evolved since the government intervened.

But because this federal intervention was so effective, it blanketed the home loan field. Housing has not been able to develop comparable competitive private financing institutions. The mechanisms set up by the government are mechanisms which, in effect, would have to be duplicated by private finance. It was not necessary to duplicate the RFC to free industry from dependence on it. As a company's profits grew, it was able to stand on its own feet in the private money markets. But small-home builders need a central pool of funds in order to compete with large business. The governmentally created institutions help to supply such a central pool. It may be almost impossible for private industry to set up institutions to compete with these governmental corporations.

However, the FHA is doing, through the instrumentality of the government, practically the same thing that a private insurance corporation could do. The FHA does not provide more for housing than a similar private corporation could provide. By an historical accident, financial aid for housing flows through federally chartered public institutions while financial aid for industry tends to flow through state-chartered private institutions.

This difference in the nature of the charter and the sponsorship does not create a prior lien for housing on the financial resources of the country. Actually, it works the other way at times. Because of the limits on interest rates of FHA and VA, the mortgages handled by these institutions cannot compete in the open market when money is tight. Housing is able to get funds after those who are able and willing to pay more and offer as good security have been taken care of.

The government's interventions from time to time, even when designed to help housing, have often injured it. Studies have suggested that aid after World War II may have raised the cost of housing to the buyers almost as much as it cut the interest. Encouraging a high volume of home building at low interest rates immediately after the war raised demand at a faster rate than supply could be created. The wholesale price index of all commodities other than farm products and foods rose 44 per cent from 1944 to 1948. The cost of new privately owned housing units went up 122 per cent. There may be no gain in paying a low interest on a high debt rather than a higher interest on a lower debt. A four per cent interest payment on an \$11,250 debt comes to the same \$450 per year as does a six per cent interest rate on a \$7,500 debt. In addition, the extra \$3,750 of debt must be repaid.

When the housing industry was aided, the aid was unbalanced. For instance, the government encouraged building in suburbs but discouraged renovating existing homes in urban areas. It helped encourage the flight from the cities. It did not give equal help to owners of existing properties who wanted to maintain their neighborhoods.

Governmental institutions are by their nature slow to accept a change. The institutions created to help housing were far ahead of their time when they were created. They were helpful to housing and to the economy. But they are not ahead of their time now. Equal or greater advances have been made in financing other business and consumer requirements than have been made in financing housing. The fact that today's home financing institutions are dominated by the government means that they are slow to adjust to today's needs. They tend to think in terms of security, not in terms of progress and growth.

It might be argued that if the federal government made it possible for housing to get money at below market rates, the federal government would have the right to withdraw that aid. But it is difficult to see how the federal government can insist that money obtained for housing through the aid of a federal corporation may be obtained only when there is a surplus of funds, and make the further reservation that it may be obtained only at the volume the government permits.

One of the effects of the government intervention from time to time has been high instability in federally aided housing. The number of private houses started under the FHA and the VA programs has varied in a single year as much as 46 per cent on the up side and by more than 40 per cent on the down side. The VA program has had an annual increase of as much as 95 per cent and a decrease of 53 per cent in one year. Insurance companies, which have provided the major central pool for government-guaranteed or insured mortgages, have increased their take of such mortgages by 63 per cent in one year and have dropped them by 45 per cent in one year. An industry cannot operate efficiently when it fluctuates this sharply. It must operate at relatively high costs. It must maintain the capacity for the higher rate of operation and support this capacity when it is operating at low rates. Government intervention has improved mortgage writing but it has also increased housing costs.

It works

The final argument used for controlling housing is: It works.

Business investment for producers' durable equipment rose nearly \$5 billion from 1955 to 1957. Residential construction was cut by about \$2 billion, offsetting 40 per cent of the climb in producers' durables. From the first quarter of 1958 to the third quarter producers' durables dropped by \$600 million and residential construction rose \$800 million, slightly more than offsetting the decline.

Unless and until we get a better device, so the argument runs, we should keep this one.

To a considerable extent, this argument enables the government to postpone facing up to the question of what would work better. The data suggest there was plenty of available labor in the construction industry from 1956 through 1958. A continuation of the 1955 rate of home building would have put no strain on the labor force. There was adequate transportation. The rails and the trucks could have used the business

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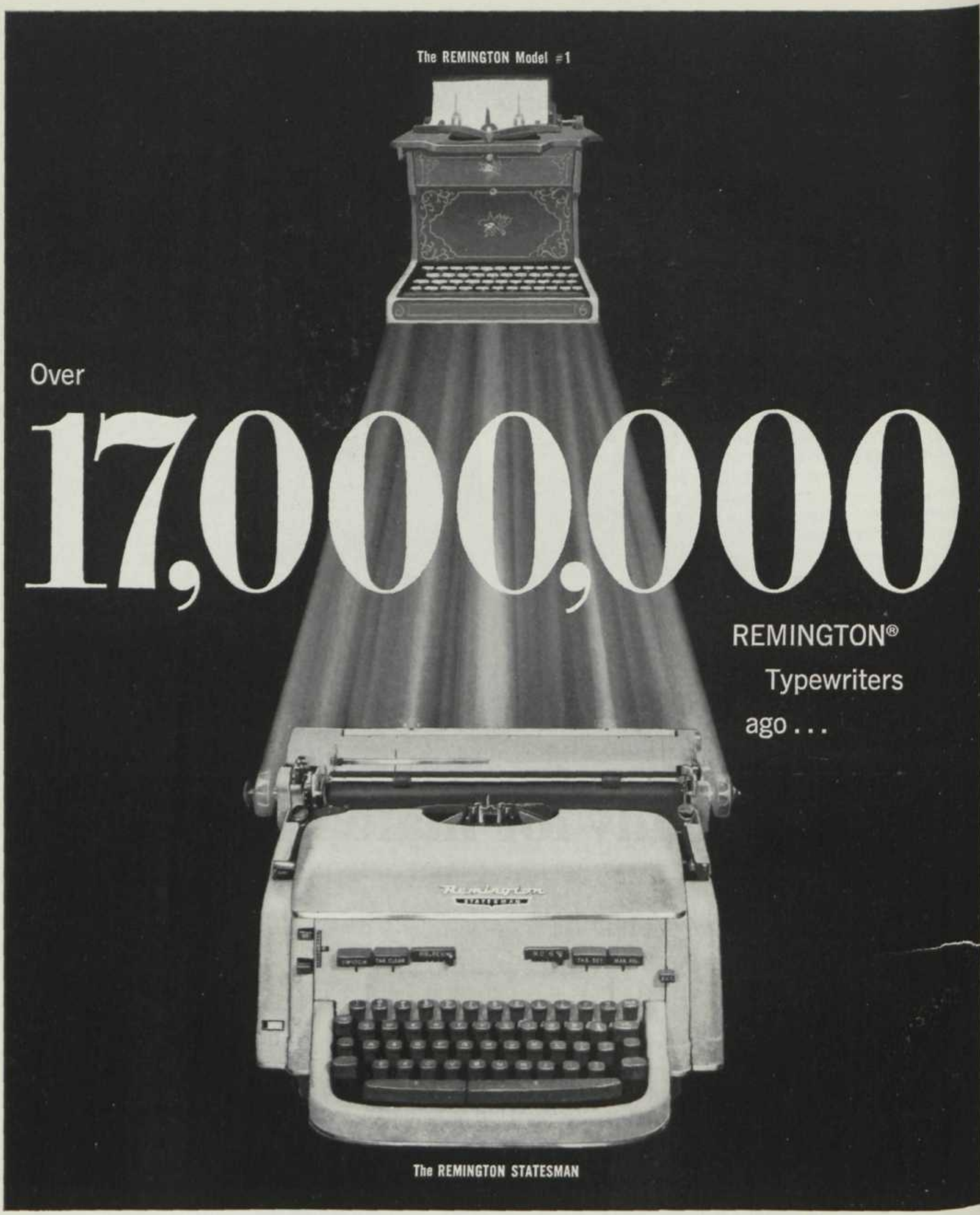
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RESTRICTS HOUSING
continued

provided by the erection of another 200,000 or 300,000 houses a year. Lumber, steel and copper were adequate. The plumbing industry was working at far below capacity. If housing had been able to compete with other industries for 1956 through 1958, the relationship between general supply and demand of labor and materials during these years might have been better.

The demand for consumers' goods would have been somewhat higher but the automobile and several consumer equipment industries would have been able to handle more business without strain. It is possible that the pressure on prices would have been somewhat greater but it is also possible that redistribution of demand would have eased price pressures somewhat. Price pressures were most severe in areas which the control of funds did not affect.

While it is, of course, impossible to know what would have happened if housing had gone ahead at higher levels, it is also impossible to prove that, because housing was kept down, the over-all balance of the economy was healthier.

There is just as much logic and just as many facts to support the argument that the volume of housing should average 1.5 million a year as that it should average 1.2 million. Why should a government, which has been holding housing to 1.2 million, not set a 1.5 million minimum, or 1.7 million?

If we accept the philosophy that housing should be controlled, we must accept the philosophy that it may be controlled at a high as well as at a low level if the government wishes to control it that way.

Then the right to control other consumers' durables must also be admitted.

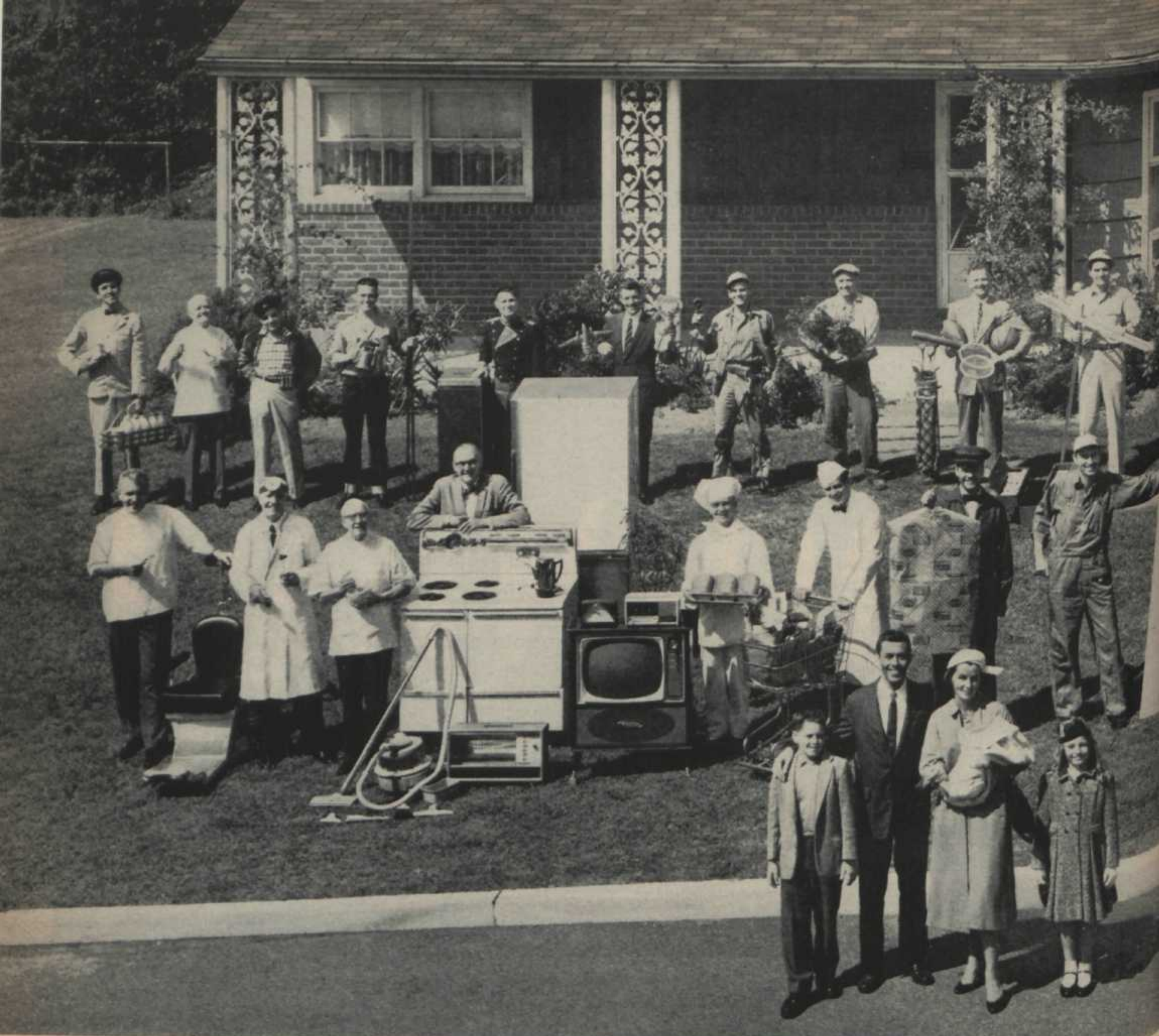
Then the right to control business investment may follow logically.

Would it not be far simpler to encourage an efficient system for financing housing without controls? Such a system might well result in an average volume of new construction about 1.3 to 1.5 million a year.

If and when inflationary pressures became dangerous, control of over-all credit would affect this industry as it affects other industries but the system should be so designed that housing would not be singled out.

Small business, represented by the home builder, should have an equal chance in the market.

—ROBINSON NEWCOMB



Everyone has a stake in a better business climate

The photograph above shows some of the people whose products or services are used by a typical employee in industry and his family. This is an example of the chain reaction of benefits set off by just one job in a community.

Further dramatic proof of the importance of jobs is provided by a recent survey* which shows that 100 industrial jobs in a community can create:

74 additional jobs
112 more households
4 more retail stores
296 more residents in the community
$590,000 more income per year
$360,000 more in retail sales per year

The jobs that bring widespread benefits like these to a community depend on healthy and profitable businesses. And business, in order to grow and prosper, looks to the community for a healthy business climate.

What are some of the conditions which make an ideal business climate? They are the same things that thoughtful people in a community want for themselves:

Honest and efficient government, supported by a strong majority of alert and well-informed voters who have the balanced best interests of the community at heart.

Fair taxes for both business and individuals, without restrictive regulations or discriminatory financial burdens.

Conscientious law enforcement which protects the rights of all citizens, corporate and private.

Equitable pay and benefits which reward employees for applying their full effort and skill to the job.

*"What Industrial Jobs Mean To A Community," U.S. Chamber of Commerce


SAVINGS

HOW TO BUILD TOMORROW'S CITY

Businessmen hold the key to a sound solution of the urban growth crisis

AMERICA'S CITIES are in danger of losing by default the race with their own breathtaking growth.

Here's why:

Between now and 1975 the population of the United States is expected to grow from its present 175 million to at least 216 million—perhaps to 244 million.

By the year 2000, some population forecasters say, our numbers will exceed 300 milion.

These statistics are impressive. But even more impressive, and disturbing, is the prediction that 80 per cent of this tremendous future growth will occur in already congested and problem-ridden metropolitan centers. Ninety million people live in our major cities today. By 1975 this figure could be more than 150 million.

In the urban complexes—more than 150 of them across the nation—the demands generated by soaring population will be nothing less than fantastic. One authority, Dr. Luther Gulick, president of the Institute of Public Administration, estimates that the cost of such vital services as streets, sewers and schools, along with modernization of over-age city structures of all kinds, could run as high as $80 billion over the next 20 years, or more than all such spending in our previous history.

Next to inflation, many economists say, urban growth poses the greatest problems the American people will have to face in the coming two or three decades.

Here are some of the dimensions of the challenge:

▶ By 1975 we will have to add ring upon ring of new suburban living and working space to our great cities.

▶ We will have to make room—na-

Future growth of America's metropolitan centers is predicted in a research monograph to be published this year by the Urban Land Institute. Projected population, expressed in millions in the table below, covers urban centers of 250,000 or greater population in nine regions (see map, opposite page). Author of the monograph is Dr. Jerome P. Pickard, an economic geographer.

	ATLANTIC METROPOLITAN	GREAT LAKES-MIDWEST METROPOLITAN	SOUTHEAST	FLORIDIAN	MID-SOUTHWEST	MIDWEST	WEST	SOUTHWEST	CALIFORNIA METROPOLITAN
1956	28.7	22.3	3.2	1.6	4.	2.7	2.7	.46	10.2
1960	30.7	24.9	4.	2.2	4.6	3.	3.3	1.4	11.9
1980	42.8	38.3	9.6	6.1	10.9	4.2	5.7	3.7	22.6
2000	55.7	55.3	16.9	11.1	17.8	6.5	8.7	6.4	34.

tionally—for a population increment equal to that of the total population of West Germany and greater than that of present-day France and the United Kingdom.

► We will have to cope, on our streets and highways, with millions of additional automobiles, trucks and other vehicles.

► We will have to rebuild the decaying cores of many of our largest cities.

► We will have to find our way out of dilemmas of mass transportation, land use, air and river pollution, capital formation, water shortage, and local political inefficiency which has hampered the development of metropolitan planning.

Dr. Jerome P. Pickard, economic geographer, whose monograph, "Metropolitanization of the United States," will be published this year by the Urban Land Institute, says that by the end of this century 10 vast supercities will house an average of 10.7 million people each, all of them the result of the merging of two or more existing centers.

Businessmen have an enormous stake in the urban growth crisis, for it hits business where it makes and sells most of its products and services, hires its workers, pays its taxes, and shoulders a variety of economic and sociological responsibilities.

The issue is whether businessmen, acting with imagination and resourcefulness in their own communities, will provide the leadership needed to prepare our cities for the future, or whether the major responsibility for getting the job done will be surrendered to the central government.

Some city planners seem ready and even eager to pass the responsibility for urban problem-solving to Washington. Not a few of them argue that the explosive growth of our metropolitan centers already has been of such magnitude as to render wholly local action impossible. There have even been appeals for creation of a federal Department of Urban Affairs, with cabinet rank, to administer a vast program of federal assistance to cities.

Many congressmen appear to share these views. One of them, a newly elected member of the House, was asked by NATION'S BUSINESS if he felt that the government should play a larger or smaller role in the solution of such localized problems as slum clearance and urban redevelopment. He answered: "I'm afraid that the history of this question suggests that private groups will forfeit the responsibility."

But need they forfeit it? Some groups, among them the U. S. Chamber of Commerce, insist that the responsibility need not be forfeited and will not be if businessmen exercise their unique power of community leadership.

These conflicting points of view will be on trial when the new Congress meets this month. The lawmakers will find themselves facing new demands for federal subsidies to cities. Among these will be requests for more tax dollars to pay for public housing, a program which since 1937 has run up a deficit of more than $600 million.

There will be demands, too, for additional millions of tax dollars to defray the cost of slum clearance and urban redevelopment provided for in the Urban Renewal program. This program started in 1949 as the "slum clearance and urban redevelopment program" and merged, in 1954, in the Urban Renewal program. An interesting aspect is that only about 400 communities have been able—to date—to tie up the program's entire capital grant fund —a sum of $1,350 million.

Since there are 17,167 communities which could apply for assistance, the growth possibilities of the program in terms of cost to the taxpayers are staggering.

Another phase of congressional concern over urban growth will be a study from the standpoint of joint federal-local responsibility. This has been urged by Senate Majority Leader Lyndon Johnson.

Some of the steps which local

Greatest community improvement comes from businessmen working with others

business leaders can follow to insure the orderly development of their cities with a minimum—or no—federal subsidization were discussed at a recent National Conference on Metropolitan Growth sponsored by the U. S. Chamber of Commerce in Washington, D. C.

The steps include:

1. Arouse businessmen in your community to the need for their leadership.
2. Inventory your community's assets and project its future needs.
3. Plan for the development of your entire area, not just for development of its parts.
4. Promote balanced development.
5. Streamline obsolete local governmental machinery.

Let's take a closer look at these injunctions.

Get business leadership

No community can realistically expect to overcome its urban growth problems if it proceeds on the assumption that the responsibility for action lies solely with metropolitan government, or solely with the local chamber of commerce—or solely with any other one group. All groups must work together, must coordinate their efforts, must see the challenge as one in which all citizens have a related and unifying interest.

The businessman's role should be to give unity and cohesion and dynamism to the collective effort. Realization of this leadership function has greatly aided postwar urban redevelopment work in such oftencited metropolitan "models" as Pittsburgh, St. Louis, Baltimore, Indianapolis, as well as in such smaller cities as Flint, Mich., and Atlantic City, N. J.

"Sound economic and social growth of the community is industry's most secure bank account," says H. Bruce Palmer, president of the Mutual Benefit Life Insurance Company of Newark, N. J. "Business thinking dominates community thought and action. Its deportment assures its progress. For any society, or community, to be great its leadership must think great. The renaissance of our cities today comes from the vision of one or more business leaders."

Some of the outstandingly successful postwar efforts in the community improvement field have been those in which businessmen have worked closely with union officials and other citizens. In Flint, for example, the committee charged with planning the city's future needs is headed up by Harding Mott, son of automotive pioneer Charles Stewart Mott. Vice chairmen are Norman Bully, president of the Greater Flint CIO Council, and Joseph A. Anderson, general manager of General Motors Corporation's AC Spark Plug Division. While the members of such mixed planning bodies might disagree over a bargaining table, they have been able to achieve a high degree of harmony when tackling problems of urban need.

In many communities the local chamber of commerce has formed the nucleus for citizen effort in solving urban growth problems.

Most authorities recommend that fragmentation of a community's efforts be avoided. Fragmentation leads to duplication and overlapping, dissipation of funds, and even factional disputes.

"The nub of our problem," says Philip M. Talbott, Washington, D. C., department store official and board chairman of the U. S. Chamber of Commerce, "is to decide what organization should pull together the resources of business, manpower and moneypower and place them behind an effective program aimed at solving community problems."

Inventory your assets

The intelligent assessment of a city's needs is not unlike the problem a merchant faces when he takes inventory. Just as the store operator must know how much he has on hand, and its value, so must a community know what it has in terms of present plant, and what it will need to meet future demand.

The community inventory, or analysis, should begin with a careful estimate of probable future population growth. Once the population factor has been explored, community planners can begin to determine with a degree of accuracy the city's future requirements for streets, sewer facilities, housing, municipal buildings, recreation areas, parking space, and other factors.

In Flint, as in other communities, this painstaking but important task has been placed in the hands of specialists.

The use of the outside specialist, according to Max S. Wehrly, executive director of the Urban Land Institute, Washington, D. C., tends to insure objective and impartial evaluation.

"Too often," he says, "elaborate physical plans are made and dramatic projects promoted before the community has taken the first two really basic steps of research and diagnosis to evaluate the soundness of those plans and projects, especially in terms of economic and social considerations.

"Sporadic and spot research," Mr. Wehrly continues, "can be helpful but it is not enough in evaluating today's fast-moving urban economy. In this respect, a leaf can be profitably taken from the experience of Cleveland. The Real Property Inventory of Cleveland is privately financed and supported by the business interests of that city and has covered every phase of the city's physical and economic growth and development since the 1930's."

Flint's citizen planning committee turned to Dr. Basil G. Zimmer, a professor of sociology at Flint College of the University of Michigan. Dr. Zimmer's exhaustive study considered potential population growth, the tax base, suburban expansion, industrial development, and such other related factors as water supply, school district taxation, and the really tough question of multiple governmental jurisdictions in the greater Flint area.

Dr. Zimmer's analysis led to the recommendation that a brand new city encompassing the present city of Flint and many of its satellite communities be created. Although this proposal has strong support it has encountered some legal obstacles and is temporarily at a standstill. Should a new and larger Flint be created it will replace 16 school districts and nine other presently existing and often conflicting governmental units; overturn the present system of school taxation—a system which Dr. Zimmer says has led to ridiculous inequities in educational facilities available in neighboring districts—and dramatically streamline the political administration of the area.

Develop entire area

One of the greatest roadblocks to efficient urban planning, authorities

say, has been the tendency of many communities to attack the problem piecemeal. Only too familiar is the situation in which Community A, although contiguous to Community B, presses ahead with its own program for urban development without relating its efforts to those of its neighboring community, or in fact with the broad needs of the entire metropolitan area of which it is a part.

This Balkanization has produced the monstrous patchwork which too often passes for metropolitan planning. To be done right, planning should be done truly on a metropolitan basis—that is, incorporating the needs of all neighborhoods and segments which, although perhaps separated by long-established political boundaries, nevertheless make up a common economic unit.

With our cities exploding as they are it is not difficult to imagine the great supercities which many urban planners say will exist in the decades immediately ahead. As our communities literally grow together so will grow the need for more comprehensive action.

"It is no longer economically feasible," Dr. Zimmer says in his report on Flint, "to continue the present segmented approach to common problems." Yesterday's seemingly distant suburban community is today blended into the enlarging urban center.

Promote balanced development

Of extreme importance in metropolitan planning is the need for keeping all phases of action in proper relationship one to the other.

Once the urban development team has been set up—whether under the auspices of a local chamber, a board of trade, or some other citizen action group—provision should be made for establishment of subsidiary committees, or task forces, on the various individual elements of the program. These groups might include a committee on the economic base and business outlook, a committee on local public finance, a committee on building and construction finance, a committee on housing, a committee on legal powers of the locality, a committee on physical planning, and a committee on traffic and parking.

The object is to organize so that lopsided development of only one or a few phases of metropolitan need is avoided.

Mr. Talbott, discussing this aspect of community planning, makes these points:

"Community programing contem-

All phases of metropolitan need must be studied to insure sound planning

plates the interrelationship of each type of development to all the others. It recognizes that comprehensive planning guides development but does not promote it. It anticipates that a community's assets and liabilities fit it for some kind of industrial and commercial development but not for others. It recognizes that development of the economic base—industrial and commercial development and some other job-producing functions—creates demands for related development."

The manner in which the National Chamber organized its recent conference on metropolitan growth suggests the spread of interests in planning. Individual panels discussed the related problems of land use, industrial development, commercial development, housing, financing and other subjects. Recommendations were made in each of these areas—just as the subcommittees of a local metropolitan action committee might make specific recommendations in an integrated community assault on the broad problem of urban growth.

The recommendations of one of the National Chamber's transportation panelists illustrate the principle of planning within planning.

A. L. Hammell, president of the Railway Express Agency, New York, identified three ideas as suitable for discussion, study and action:

1. *Greater application of one-way street traffic patterns.*

2. *Establishment of efficient mass transit between fringe-area parking and downtown shopping centers.*

Of this point, Mr. Hammell said: "It is the driver and passengers in the private automobile who choose the means of getting to the downtown areas. Invariably, space-saving and economic public surface transit long has been available. The freeing of downtown streets so that essential and economic movement of goods can be restored may well be accomplished by a combination of fringe-area parking and improved mass transit lines. "Greater off-street parking facilities may be the only practical answer in some instances."

3. *Studies and action to facilitate essential truck delivery and pickup work.*

"The previous idea of fringe parking areas for passenger cars is one possible aid, obviously. But truck regulations currently in effect in some cities affect many or all principal thoroughfares in the busy commercial areas. Everyone suffers, eventually, as this kind of situation boosts costs for not only the carriers, but the merchants and businessmen, and finally their customers, too."

Streamline local government

Archaic laws and ordinances and multiple but separate governmental jurisdictions currently constitute one of the biggest obstacles to area-wide planning and action.

The story is told of a community where the speed limit was 20 miles per hour on one side of the street and 30 miles an hour on the other side—because the municipal boundary ran down the middle of the street and the two communities had not agreed on the traffic regulation patterns.

To offset this kind of problem, some communities—Miami, Fla., is a good example—have moved in recent years to eliminate satellite jurisdictions and create comprehensive metropolitan governments designed to promote uniformity in zoning, parking, traffic and other controls and services, interrelated planning and development, and tax equalization.

The "New Flint" proposal is a good example of this kind of effort. Governmental structure, Dr. Zimmer contends, should be determined not by tradition or expediency but by the type of functions that must be provided. This viewpoint, he adds, is a strong argument for setting up a governmental structure broad enough to encompass the essential unity of metropolitan areas.

Persistence of checkered governmental jurisdictions in many instances stems from the simple desire of elective officials to hold on to their jobs. They don't want to see a metropolitan government replace their own duchies of small but certain power. They hold this position even in the face of compelling arguments that demonstrate that more comprehensive government would insure a fairer distribution of the tax load, and more equitable and economic provision of such essential services as sanitation, water supply, police enforcement, and traffic control.

The controversy is not likely to be soon resolved. Lacking its immediate resolution, there are certain progressive steps which separate communities within a metropolitan complex can take to promote sounder planning.

These have been spelled out by George Deming, director of the Conference on Metropolitan Area Problems.

Mr. Deming recommends:

1. Informal intergovernmental agencies designed to provide a platform on which area officials can exchange views, and develop mutual understanding.

2. Intermunicipal and county-municipal agreements. Such agreements, Mr. Deming says, make possible mutually beneficial provisions for jointly supported services, the construction of joint use facilities (such as sewerage and water), and greater use of the contractual service device.

3. Compatible ordinances.

4. Creation of regional planning agencies (there are about 65 in the country now) to work within the framework of existing pluralistic governmental units. These, Mr. Deming says, could be the forerunners of future metropolitan governments.

5. Development of counties as municipal service agencies (more than two thirds of America's existing urban centers are within the boundaries of a single county).

It is significant, Mr. Deming adds, that a recent statement of the Cleveland Metropolitan Services Commission included this observation: "A reorganized and revitalized county government should be the basis for any metropolitan government."

6. Creation of state agencies to help solve metro-urban problems. Mr. Deming comments: "We think that states can work more effectively than they do now with local governments in provision of wider land-use planning, zoning, capital programing, administration of regional planning agencies, and long-range analysis of community trends.

7. Better housekeeping in local governments. Here, Mr. Deming urges greater citizen participation in local governmental affairs—and greater citizen interest—to insure that local municipal budgetary practices are sound, that municipal employes and officials develop professionally, that local programs be constantly reviewed and compared

with advancements in other communities, and—especially—that businessmen in communities take a more active role in local politics so as to insure that sound policy decisions are made.

It has often been pointed out that elective officials are not bound to protect the free enterprise system. This is the job of businessmen, essentially.

There is also another strong reason why businessmen should exercise local political leadership—they have the greatest financial stake in the costs of governmental services, and have the most to gain from a properly organized and administered community.

"We can lead our fellow businessmen into participation in urban development," says U. S. Chamber President William A. McDonnell. "We can steer public and official thinking in the direction of local self-reliance; we can make sure of comprehensive community planning based on analytical study of the community's needs. We can achieve a balanced program of urban development and we can bolster the working forces which bring all these things to completion.

"It is half the battle to know what must be done. A third quarter of the battle is planning and strategy. The fourth is unflagging persistence, the kind of courage that takes setbacks in stride.

"Finally, the present challenge calls for abiding confidence in the spirit of American voluntary action. Chicago had a fire—and a new Chicago grew from the ashes. San Francisco was leveled—and a new San Francisco emerged from the rubble.

No one had ever heard of national Treasury funds for urban renewal in that day and age.

"Who raised a new Chicago on the embers of the old? And who reared a new San Francisco on the fragments of the past?

"It was the businessmen who aroused the enthusiasm of the public and kept at that job by night and day until the end ambitions became the end results.

"We cannot do less. We won't do less. The future landscape of America is in the hands of businessmen. I know of no better place to lodge that adventuring assignment." END

REPRINTS *of "How to Build Tomorrow's City" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.*

FRIENDSHIP

continued from page 35

to observe hard and fast rules, while members of the "in" group find the wheels conveniently greased.

In some companies some of these abuses are a recurring matter, in others you find only relatively minor abuses. In still others they exist at a minimum. You find, too, that fraternization abuses are readily visible in some companies and difficult to detect in others.

What company can do

Company action, both in prevention and correction, calls for attack on several fronts:

Express, in the company creed, management's position concerning relations among managers and set down some principles concerning the professional ethics and sense of conduct expected of managers.

Be on the alert for abuses which may be linked to fraternization.

Correct weaknesses in organization structure, allocation of authority, communication, coordination, and selection of personnel for managerial positions.

Monitor and improve the system of recognition and reward for those in the management ranks.

The creed should, first, state the high value which the company places upon its human resources and acknowledge the freedom of each manager to seek personal friendships in and out of the company.

Second, it should give assurance of the company's aim to provide a permissive atmosphere in which this can be achieved. It should acknowledge that the cultivation of friendships, on and off the job, is a matter of personal choice of each manager.

But it should also point out:

Although the manager enjoys certain prerogatives and rights he must understand that they also carry certain obligations.

Foremost among these is the importance of setting a good example of personal executive behavior in mixing well, with dignity, and measuring up to his loyalties to both individual friends and the company.

The manager's responsibilities to face up to the issue or problem, to make a decision, and enforce a course of action in keeping with company objectives and policies requires that he be unhampered by personal ties or loyalties.

A person entrusted with management responsibilities is expected to know the difference between personal friendships and the official demands and requirements of his position—and this sense of priority and values is vital to his own accountability as a manager at all times.

Being alert for possible abuses involves knowing or sensing the existence of an abuse, confirming it, diagnosing the reason for it, and doing something about it before damage results. This is a matter of alertness to actions at staff meetings, alibis for failing to meet deadlines, give-and-take during appraisal sessions, complaints or protests of other managers, inaction for a prolonged period after plans have been agreed upon, evidences of office politics, turnover among the younger managers, preferential treatment to individuals.

Whether the abuse does grow out of personal friendships or fraternization can be confirmed by checking back on the frequency of the incidents, the reliability of the source of information, possible documentation from several sources, and hearing out the manager involved.

Diagnosis may show the reason to be log-rolling, keeping a promise which should not have been made in the first place, pressure put on a staff man to make the line man look good, indiscretions to preserve a personal friendship, loyalty to the informal organization, overambitiousness, or other reasons.

Doing something about it may take these forms:

▶ Focusing on the company creed and making it clear that this is binding upon *all* managers.

▶ A private chat to discuss the apparent abuse and its effect upon company operations and morale, hear all sides to the story, and listen out the man on the carpet.

▶ Making it clear that the man must clear up the abuse in his own way within a reasonable period.

▶ Breaking it up through some tough personnel action, if the man fails to correct the abuse himself.

Management must recognize, finally, that the system of recognition and reward in the organization may have something to do with abuses of fraternization. Where gaining recognition of one's performance is somewhat difficult because of the size or nature of the organization, men tend to short-circuit the system by seeking and using fraternization as a vehicle to attain recognition and reward. The social satisfaction of being accepted into a group is in itself attainment of recognition. But things do not end here in many cases. The temptation to exploit a personal

friendship to attain some special privilege is not easy to resist.

Management needs to take a hard look at the existing financial and nonfinancial rewards available—especially the opportunities for recognition leading to such rewards.

It may be useful to take inventory of the organization setup, of the movement of personnel in the managerial ranks, and attitudes of the men in regard to relationships within the company. Often, over a period of years, a condition develops where a great deal of authority resides in few people. This leads to a power-laden group in the upper middle management levels. This is unhealthy because of the susceptibility to fraternization in order to maintain the authority and power.

A check-up of organization may disclose that the lines of communication for clearance, review, approval, or authorization may also be burdensome, unsound, and possibly obsolete. Functional areas may be too rigid or fixed. Accountability of managers, and who reports to whom for what, may need clarification.

It is wise, too, to check periodically on what goes on in the flow of promotions and the blue-ribbon assignments—from where to where, involving whom, and to what extent. You may find, for example, that by and large those who come up through sales seem to show a succession of rapid promotions; that those with company background in purchasing, engineering, or industrial relations somehow just don't move far in the organization.

It's worth the investment, finally, to conduct every three or four years an attitude survey at the managerial and supervisory levels to spot discontent, inequities, complaints, and abuses which may possibly germinate from excessive fraternization.

All of this can be done without detracting from the gains which accrue through fraternization, group spirit, cohesion, and team effort. It will prevent an up-and-coming manager from carrying around his neck a millstone of personal commitments, loyalties, and friendships. It will help him perform his job as a planner, a decision-maker, organizer, and director by reminding everyone of the sense of conduct of the manager.—NATHANIEL STEWART

REPRINTS *of "Friendship Can Ruin Your Business" may be obtained for 10 cents a copy or $6.75 per 100 postpaid from Nation's Business, 1615 H St. N.W. Washington 6, D.C. Please enclose remittance with order.*

WATCH FOR THESE SPACE AGE CHANGES

Eleven scientists draw this picture of tomorrow's world from today's facts

This is the team of scientists who forecast economic, technological, social and political changes that will affect businessmen:

Brig. Gen. H. O. Paxon (U.S.A. ret.), head of environment forecasting

Dr. H. P. Goss, political scientist

Dr. James W. Moyer, physicist and atomic energy expert

Dr. Harold C. Mattraw, chemist experienced in atomic energy

Dale J. Hekhuis, economist

Dr. Charles McClintock, psychologist

Dr. A. B. Nadel, psychologist

James C. Hacke, physicist

F. E. Bronner, geologist

Norman Precoda, military analyst

Capt. David B. Young (U.S.N. ret.), experienced in nuclear energy and other fields

Accurate weather forecasting
Improved communications
Exotic fuel development
Rocket transportation
Advanced engineering methods

These advances will come from space exploration, but myriad developments and problems face businessmen in space age right here on earth

Population pressures
Housing, transportation, utility needs
Labor force shifts
International industrialization
National resources use
Atomic, thermonuclear advances
Chemical, tidal, solar energy developments
Water requirements
Political policies
Oceanic mining
Long range planning

LONG-RANGE PLANNING—probably business management's most compulsory and intriguing function—inevitably requires a forecast of future changes.

But the what's, how's and why's of change in our dynamic economy are questions as challenging and elusive as they are desirable to know.

One of industry's most authoritative and specialized units for inspecting the future is the General Electric Company's TEMPO. That's short for Technical Military Planning Operation. TEMPO was set up in 1956 to examine the fruits of advanced research, and the international, economic, political and social factors that might affect tomorrow's weapons systems and incidentally tomorrow's industrial products. Mysteries of the future are probed by experts from all fields of knowledge which apply to a problem.

NATION'S BUSINESS asked this highly qualified organization a number of questions in the fields of population growth, natural resources, and technology where answers would be valuable to business managers and owners in their long-range planning. Where security rules permitted, they have given their answers.

The answers reveal when we could have rocket transportation, electric-powered autos, solar-heated homes and reliable round-the-world communications. They explore, for example, the nature of future population, energy, water supply and foreign policy problems, as well as long-range planning techniques.

The replies are the product of the analyses, reflections, and forecasts of TEMPO military, political, physical and social scientists and economists under the direction of Dr. Richard C. Raymond.

How soon will knowledge acquired in the probings of outer space be used commercially and what new products, processes, or findings of commercial value are indicated?

For the foreseeable future, the cost of transporting materials into or out of space, or to or from other planets and moons, is going to be so astronomical that even free diamonds on the moon will hardly be

Population and labor shift will have significance for managers of business

worth transporting home. This does not apply, of course, to transportation of knowledge. We shall want to bring back samples for study; and we may want to establish laboratories in space or on other bodies for experiments impossible on earth.

Initially, we shall import knowledge from outer space; then, if we form extraterrestrial colonies, we shall export knowledge and training to them.

For the foreseeable future, exploration of space is going to be a net drain on our economic resources, instead of an addition. The question during our lifetime is not going to be, "What direct economic benefits can we expect from exploration of space?" but, "How much can we afford to spend on space exploration, for the ultimate benefits it may bring to the human race—benefits we can as yet hardly visualize?"

There are nevertheless some indirect benefits which may accrue from space exploration:

1. Within five years, we can expect markedly increased accuracy of short-range, and perhaps medium-range, weather forecasting, as a result of exploration of nearby space by satellites; perhaps development of weather surveillance satellites; an increased understanding of our space-exploration program will bring knowledge of the dynamics of weather and the impact on it by the sun and by other space influences.

2. Also within five years, we can expect markedly increased accuracy of short-range and medium-range prediction of radio propagation conditions and increased accuracy of measurement of current radio propagation conditions, which will enhance international communications.

3. Within 10 years, we may expect to see commercial radio relay satellites which will give effective, reliable, round-the-world communications channels with hundreds or thousands of times the message-handling capacity we have today.

4. Also within 10 years, the development of so-called exotic high-performance fuels now used for missiles may reach the point where they are plentiful and cheap enough to compete with more conventional fuels for commercial applications.

5. Within 15 years, long-range weather and radio-transmission-conditions forecasting may become accurate enough for confident use as a basis for commercial planning.

6. Also within 15 years, manned or unmanned rockets, which leave the atmosphere and get a large part of their lift ballistically, may become commercially competitive for long-distance transport between points on earth.

7. In addition to these specific indirect benefits, there will, of course, be a diffusion of more sophisticated engineering methods and more highly developed materials from space research into other areas of our technology as, for instance, materials, processes, and engineering methods developed for aeronautics have influenced such fields as automobiles, marine and railroad engineering.

By 1970, what trends, forces or factors will have most significance for business?

One of the most dramatic developments occurring in the next decade will be the sharp rise in the population of the U. S., reaching, by 1970, a figure somewhere between 200 and 225 millions. This population increase, running between 15 per cent and 30 per cent over the 1955 total, could cause serious shortages in housing, schools, public transportation, municipal utilities, public recreational facilities, and health and welfare services. This growth will place great demands on unevenly distributed natural resources—especially fresh water.

The labor force is expected to show three major changes:

1. An increase of some 25 per cent in absolute size.

2. A number of relatively sharp fluctuations by 1970 in that age composition.

3. An increase in the labor force participation of women, whose proportion by 1970 will be 35 per cent as compared with the 1955 ratio of 30 per cent. Over the period 1955 to 1970 males in the labor force will increase by 20 per cent whereas females will rise some 42 per cent.

Three basic problems related to the labor force may be anticipated as we approach 1970:

1. A marked increase in workers under 25 entering the labor force

and placing great strain on training facilities.

2. A lack of a comparable increase in workers, 24 to 44, the age span in which training begins for leadership roles in industry, government, and the military.

3. An influx of part-time workers to meet shortages caused by the insufficient number of 25 to 35-year-old workers.

The absorption of large numbers of inexperienced workers into industry may produce a highly competitive labor situation. Shortages in the professional and scientific fields will continue to be critical.

An increase of 9 to 11 million married couples is foreseen in the period 1955 to 1970. This will result in increased demands for such items as new housing, household appliances and furnishings, transportation, and recreational facilities. It is obvious that the resultant baby boom (barring a war or a serious depression) will result in demands for child-oriented consumer goods and trigger a new wave of requirements for schools in later years.

Partially as a result of increased marriages and partly as a result of the post-World War II and Korean incident baby booms, our school enrollment will rise from the 1955 figures of about 28 million to 37.5 million in 1970 in the grammar schools, an increase of 33 per cent. High school enrollment will increase 70 per cent, 9.2 million to 15.8 million, between 1955 and 1970. College enrollment will show a percentage gain estimated at more than 120 per cent over 1955, or from 2.7 million to 6 million.

Within the geographic boundaries of the U. S., the Pacific and Mountain regions will show the greatest changes by 1970. Both population and industry are expected to increase substantially. Water will become a problem of the highest priority in this region, to be followed by increased energy requirements, transportation, and the fulfillment of human requirements at all levels.

How will world population pressures affect markets for U. S. goods and services as well as trade, aid and other U. S. foreign policies by 1970?

During the past 150 years the world's population has increased from an estimated 900 million to 2,500 million persons, an average yearly increase of 10 million persons. From 1950 to 1956 the population increased by approximately 175 million persons, a yearly increase of 30 million. This latter figure represents an increase of 80,000 humans each day, 3,000 per hour, approximately one a second. By 1970 the rate of growth is expected to be about 120,000 persons a day. The total world population at that time is expected to rise to between 3,200 and 3,500 million.

These tremendous increases in population will not be uniformly distributed. Unfortunately, those areas which, from an economic and social standpoint, can least afford increases in numbers will experience the greatest absolute growth. Most of the countries of Asia, Africa, and South America, where more than two thirds of the world's population currently lives, will continue to experience an ever closer race between food production and reproduction.

A larger world population might benefit by the mutual exchange of commodities (raw materials for heavy and light consumer goods) via the historical processes of international trade. Nevertheless, it is unlikely that the underdeveloped countries, as they mature politically, will be satisfied to continue as low-cost, "one-or-a-few commodities" producers of raw materials. Industrialization, albeit on a modest scale at first, is their best hope to absorb the explosive increases in population. An upsurge in literacy and political awareness will undoubtedly accompany industrialization.

If such developments can be guided by western-trained leadership (as in India) into peaceful trade rather than into dictator-led national aggression (as in Red China), the entire world stands a chance of stabilizing its population growth around a viable total.

Population pressures also pose a problem with respect to the goals of U. S. foreign aid programs. Indeed, these pressures may increase the short-term expenditures by the United States for foreign aid into the mid-1960's. Short-term, nominal increases in the living standards of underdeveloped countries may be achieved by direct assistance in the form of food, consumer goods, and medical aid. On the other hand, lasting increases can be obtained best by directing the bulk of foreign aid to industrial expansion. Thus there is the problem of reconciling current, popular pressures for immediate increases in living standards with the necessity of building a firmer foundation of industrialization for the longer-term benefits.

As these countries mature politically, they will undoubtedly shop

(continued on page 72)

Trucks . . . our records less!"

says H. S. Hossfeld, Vehicular Engineer, Continental Baking Co.

Continental Baking Company operates well over 8,000 trucks—the biggest baking fleet in the world. Daily it carries 6,000,000 pounds of oven-fresh Wonder Bread and Hostess Cakes between bakeries, depots, food stores and homes in 44 states. And its fleet is 97% Ford! Mr. Hossfeld tells you why:

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3 "Ruggedness and sturdy construction of the P-350 chassis. The *average age* of all Fords in our fleet is a young 7 years!

4 "Ford's co-operation with our engineers, in modifying chassis to meet our requirements."

Whether you operate a huge fleet like Continental Baking or a single truck, Ford, from a list of over 370 models, has the exact, *right* truck for you. And your Ford Dealer can start you on the right road . . . *Ford*-ward for savings. Call him today.

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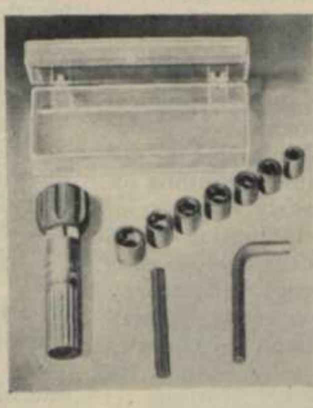

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NB

Nuclear, chemical and solar sources will help to meet 1970 energy needs

around for the best bargains in economic and technological help, in return for raw materials, voting support in the U. N. and access to their lands for military bases. Such developments could require a significant reorientation of the uses for our national resources. This would call for a complete reappraisal of our world-wide military and political commitments and alliances.

By 1970, what will be the most promising sources and commercial applications of energy and what part will nuclear power play in this outlook? What will be the impact of these developments on industrial productivity, employment prospects, or leisure time?

The order of importance of new energy sources would appear to be nuclear, chemical and solar—with winds, tides, and geothermic energy sources low on the list.

On the domestic scene, industry and government are building several large-scale power reactors. It has been predicted that nuclear power generating stations will probably be commercially competitive in the United States by 1970, and sooner in certain high-cost power areas of the world.

Outside the continental United States approximately 40 nuclear power plants are in progress or in various stages of design and planning. Some of these may achieve competitive status before 1970, particularly in areas of present high power costs.

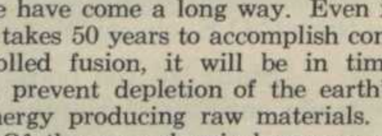
In addition to these major installations, the U. S. government is sponsoring studies and construction programs to achieve portable package atomic power plants for use in inaccessible areas. It is logical to assume that the completion of this task will eventually bring power production to remote areas with resulting new growth of industry and improvement in living standards.

The atom developed to its fullest potential in power production will most assuredly bring new economic strength to many of the underdeveloped nations.

In the field of nuclear fusion (hydrogen-deuterium-tritium) power generation the scientific evidence is not yet clarified. While authorities appear confident of its achievement, perhaps in 20 years, large-scale production of economically acceptable costs will probably not be achieved for some time.

Thermonuclear (fusion) processes have at least two advantages over fission: 1, fusion has freedom from dangerous radioactive fission products; 2, fusion (as now conceived) may be based upon a virtually inexhaustible supply of deuterium from water. The technical problems are staggering, but in just a few years we have come a long way. Even if it takes 50 years to accomplish controlled fusion, it will be in time to prevent depletion of the earth's energy producing raw materials.

Of the new chemical sources of energy, materials such as nitrogen compounds or the less prevalent boron compounds (high energy fuels) are presently used for military purposes. Commercial applications will undoubtedly be feasible in a few years. Further examples of the energy liberated from chemical reactions involve new techniques, with improved efficiency, of direct conversion to electricity. Even the old standard, the storage battery, is due for improvements to the point where the electric automobile could be (on the basis of technological feasibility) the cheap, exhaust-free car for city driving in 1970.



The fuel cell—any type of electric battery cell which uses a chemical fuel to produce electricity—is also worth mention. While this is not new, prototype units functioning today will lead to early commercial application. The elimination of the heat cycle and rotating machinery is the basis for numerous other energy investigations. Mechanical, thermal, chemical, and radioactive energies are being transformed directly to electrical energy.

By 1970, noiseless generators—which would not disturb nearby workers—will be a multimillion-dollar business with applications wherever there is need for long-life, automatic, lightweight (and usually small-current) power sources. Their greatest applications probably lie in the fields of electronics, astronautics, and communications.

The utilization of solar energy is based on the absorption of heat and/or light. At present 15 countries are exploiting solar energy not only for the generation of electrical power but also for the production of fresh water, heating, refrigeration, and air conditioning, for high temperature furnaces, cooling, and frost protection. If the efficiency of the solar battery (now about 10 per cent) could be increased significantly, it could power several of the above-mentioned systems, thus resulting in new markets. According to UNESCO, 13 million (about 20 per cent) of the homes in the United States will be solar heated by 1975.

The less important sources of energy, such as tides, winds or geothermic (earth heat) energy, should not be neglected.

At LaRance, France, for example, the French government is investing roughly $100 million for tidal generation of an annual electrical output of 820 million kwh.

Modern steam plant generation of electrical power costs about six to seven mills per kilowatt hour. The cost of producing nuclear fission power, with its attendant governmental control of fuel and reactor products, is difficult to figure but may be on the order of 10 mills per kwh in the United States. Commercial pilot plants now being built should provide such costs by 1961-63. A rough cost estimate has been made of from 10-100 mills per kilowatt hour for such sources as solar energy, tides, winds, and ocean thermal differentials (that is, the difference in temperatures at the surface and deep in the sea).

Increased leisure time, predicted for the decades ahead, will absorb an increasingly higher per cent of our national energy production to provide more and cheaper travel means, electrified home recreational devices (organs, hi-fi, color TV, audio-visual telephones, home movies, dialed informational services) and new hobbies involving the use of electrical energy.

By 1970, to what extent might the oceans be sources of food, minerals, or water supply for home and industrial uses?

Food production from the oceans will probably not show dramatic or

novel changes by 1970. Fisheries' production will increase, perhaps more rapidly than in the preceding two decades, because of modern sonar means for locating and following schools of fish, because more of the catch is deep-frozen while it is fresh, and because of better marketing. There may be some attempt to harvest the rich plankton (small organisms) of the surface waters, which the Kon-Tiki raft expedition members described as tasting like lobster paste.

It is possible that the harvesting of seaweed for food will show some upturn, influenced by the Japanese use of these marine algae in their diet. (It should be noted here that seaweed has for many years been used for fertilizer and as a source of iodine and other minerals.)

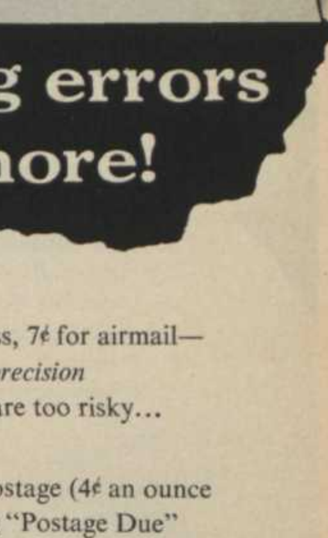
There are several degrees of feasibility in extraction of various minerals from the ocean. Almost all of the known chemical elements have been identified in sea water, but only a few are present in concentrations greater than one gram per ton. These are: chlorine, sodium, magnesium, sulfur, calcium, potassium, bromine, carbon, strontium, silicon, boron, aluminum, and fluorine. Since all of these elements are available in commercial quantities and in reducible form on dry land, this abundance in the sea is not yet economically attractive enough to encourage development.

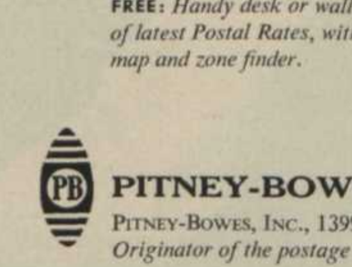
There is one outstanding exception, with an extremely bright future: magnesium. This metal has been produced commercially from sea water since 1941 and now is produced solely from this source in the United States. Since magnesium is beginning to displace aluminum as a structural metal, it is probable that the production of primary magnesium from sea water will at least double or triple by 1970.

The world's supply of deuterium, basis for fusion power, constitutes one out of every 7,000 hydrogen atoms in sea water. Since fusion power is not on the immediate horizon, the commercial production of deuterium from ocean sources should not be expected as soon as 1970. Of the scarcer, more coveted metals—copper, manganese, lead, zinc, tin, cobalt, chromium, gold—copper is present in less than one gram for every one hundred tons of water; manganese even less. One thousand tons of water would yield only five grams of lead, 10 grams of zinc, and three grams of tin.

Ten thousand tons of water would be required to obtain one gram of

(continued on page 76)





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Price shown is manufacturer's suggested price and is subject to change without notice.

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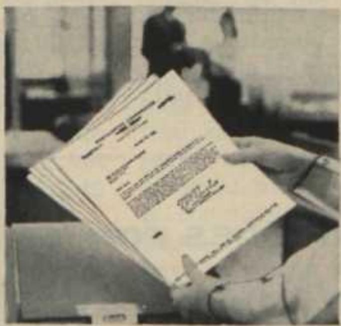

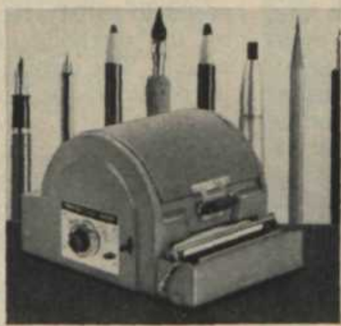

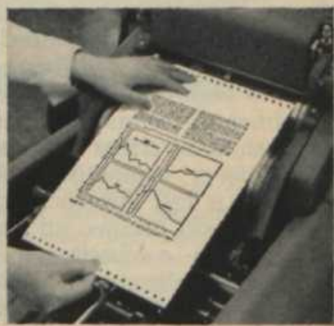

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TRADEMARK

In next decade we may be getting fresh water and certain metals from the sea

cobalt, and more than one million tons to produce six grams of gold. Chromium has not even been isolated from sea water, although it is present in marine organisms.

It does not appear probable, barring a protracted war or an effective blockade of present sources, that any attempt will be made to produce any of the high unit value metals from the oceans by 1970. Here again one exception is worth noting.

Recent oceanographic expeditions have reported that immense areas of the sea floor lying between 2,000 and 5,000 meters deep are encrusted with manganese oxide. Sizable samples of these nodules (mineral lumps) have been recovered by conventional oceanographic dredges. It is probable that some attempt will be made to exploit this unlimited source well before 1970.

It is almost certain that commercial pilot plants, at least, will be feeding token amounts of desalted sea water into the reservoirs of semiarid regions by 1970. The cost of supplying adequate water from land sources to highly developed areas such as Southern California is already so high that it brings current experimental techniques of producing fresh water from sea water almost into a competitive bracket. The time is fast approaching when sea water will become an economically feasible competitor to rivers, lakes and wells in semiarid and highly populated coastal areas.

What procedures or considerations are usually involved in TEMPO's job of appraising the future which a businessman could adopt for his own long-range planning?

Effective long-range planning may be broken down into three steps, each of which may be further subdivided.

In the first step the environment to be anticipated in the future is estimated in the areas of population and human factors, future sciences and technologies, and political and social relationships. The results of this step lie mainly in two areas:

First, descriptions of the future which give us an opportunity to select and foresee customer requirements and business opportunities.

Second, a realistic environmental situation in which to evaluate possible future competing products and systems.

The second step is the invention or synthesis of new products and systems in response to requirements and business opportunities perceived in the environmental studies. This step includes broad-scale physical feasibility studies, preliminary system designs, and the determination of reasonable ranges for system characteristics which may be left flexible until later in the procedure. Feasibility information developed in this step is naturally fed back to the environmental studies because new possibilities are often discovered during the feasibility investigations.

The third step is an evaluation procedure. Here the requirements for future projects and systems which are derived from future environmental studies are considered in relation to various ways of meeting them. New products or systems which have been synthesized are tested against the environmental backgrounds in which they are supposed to satisfy these requirements by the methods of operations research. The output of this step varies considerably, but its most usual form is what we call the cost-benefit analysis.

This analysis compares a variety of products or systems designed to meet a particular requirement in terms of the benefits achieved by each and the costs of constructing and operating them.

If carried out successfully, the results of the over-all planning process should provide management with the environmental and technical factors which are required for good future business decisions.

The small businessman may adapt the basic philosophy of this type of analysis and planning to his own needs, even though his enterprise does not include personnel of the varied talents outlined here. He will find his own judgment and that of his close associates can be brought to bear upon many of the facets of long-range planning by just such steps, taken in the context of his resources and needs.

He may also contract for the services of management consultants or invest in the services of university planning operations, which, by virtue of the support of large numbers of firms can support a long-range, generalized forecasting program suitable for a variety of business interests. **END**

REPRINTS *of "Watch for These Space Age Changes" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.*

SALES TECHNIQUES FOR '59 *continued from page 39*

the over-all picture and gain perspective of what is taking place.

In conducting a market audit, the first thing to do, he says, is break down the marketing operation into all its parts—advertising, marketing research, sales force, etc. When the operation is completely broken down into manageable units, management should work out the standards it feels each of the components should live up to. He compared this operation with taking one's car to a garage where the mechanic checks all its major parts against standards of peak performance.

In the process, management may evaluate the performance of salesmen, of sales supervisors, organization structure, policies relating to customers, policies relating to incentives for salesmen, and many other aspects of the sales department. Next, action should be taken to improve the parts that are falling below the standards, and set up controls to measure future performance.

Customer wants—General Electric's Mr. Borch says that one of the fundamental trends marketing personnel have to be concerned with is:

"The increasing difficulty in predicting the individual consumer's behavior at a time when his discretionary income is rising as rapidly as is his control over the use to which he decides to put his leisure time. (This is reflected daily in the consumer's choice of whether to buy a new coat or to take a vacation.)

"Or, if you prefer, take the increasing difficulty in predicting the industrial customer's behavior when his alternative choices in processes

and materials are rising so rapidly because of advances in technology. We see this reflected in such ways as his choice of using plastics or metals."

Overcoming this difficulty in gauging in which direction the customer will jump is not a matter of marketing research alone—elaborate tests and surveys in depth are needed to see what the customer really believes. Much of the work can be done by instructing individual salesmen to be prompt with their feedback. The salesman in the field often knows more about whether a product is or is not moving and knows it more quickly than research workers do.

Communication—Emphasis on getting feedback from the salesmen is an important part of the trend toward better communications. Dissemination of the right information is of growing concern to companies, says Walter Brunauer, manager of sales personnel development of the Lily-Tulip Cup Corporation.

Management is coming to realize, he says, that more coordination is needed in communicating with the salesmen in the field. Many organizations simply flood the mails with memos and information. Other companies do too little. In both cases much of the material is not important to the salesman.

One company swamped its salesmen in the field with breezy solutions to sales problems the home office figured the men might run across. Feedback convinced the home office that the men had little or no use for the material, but did have a real need for solutions to other problems.

As a result, the company had the salesmen submit periodically what they considered their biggest problems. The home office, in turn, selected the most representative problem, offered a solution and circulated it to all the men. In addition, the company answered the individual problems of each salesman. Salesmen also began writing to each other about their problems.

In the future, Mr. Brunauer feels, many companies will have an information coordinator who will let each division know what it is expected to impart.

Training—A trend toward more intensive training for salesmen is growing in strength. For some time the trend has been away from simply handing a salesman a sample case, giving him a slap on the back, and sending him into the field. But now the training is more thorough, and less filled with pep talk.

A case in point is Republic Steel Corporation's Truscon Steel Division's 13-session training program for its salesmen, aimed at increasing the service that the salesman can do for the company's customers.

Their salesmen are getting training in the product itself, and on how to help the customer. The salesman of the future, Republic feels, will be one equipped to "sell, serve and advise."

With better training, managers realize, the cost per sale is cut down because the salesman is more likely to get an order with fewer calls.

The emphasis on training is also due, strangely enough, to advancing technology. Today a company that gains a technological advantage can expect to hold it only a short time before competitors equal or surpass it. Since, nowadays, most products are more or less equally good and dependable, the selling point has to be on service and advice that comes with the product.

With the increasing demand put on salesmen to know more about their product, to be able to advise and serve their customers, the salesman is becoming less of "a man way out there in the blue" and becoming more of a businessman. He is expected to know more about the business, and about profit and loss.

Also, as the salesman changes from a man intent only on getting orders to the role of a business executive, his compensation is beginning to change, notably in industrial sales, Mr. White says. Companies are beginning to give the salesman more salary in comparison to commission. The theory behind this is that it is more important to have men who will concentrate on building up a lasting relationship with the customer rather than relying on the short-term advantage of the hit-and-run operation.

The entire area of compensation and incentives is getting increased attention from marketing personnel, according to S. L. Goldsmith, Jr., executive director, National Sales Executives-International.

He identified as one of the top problem areas for 1959, "The need for effective motivation of sales and distribution personnel, often expressed as incentives for the salesmen."

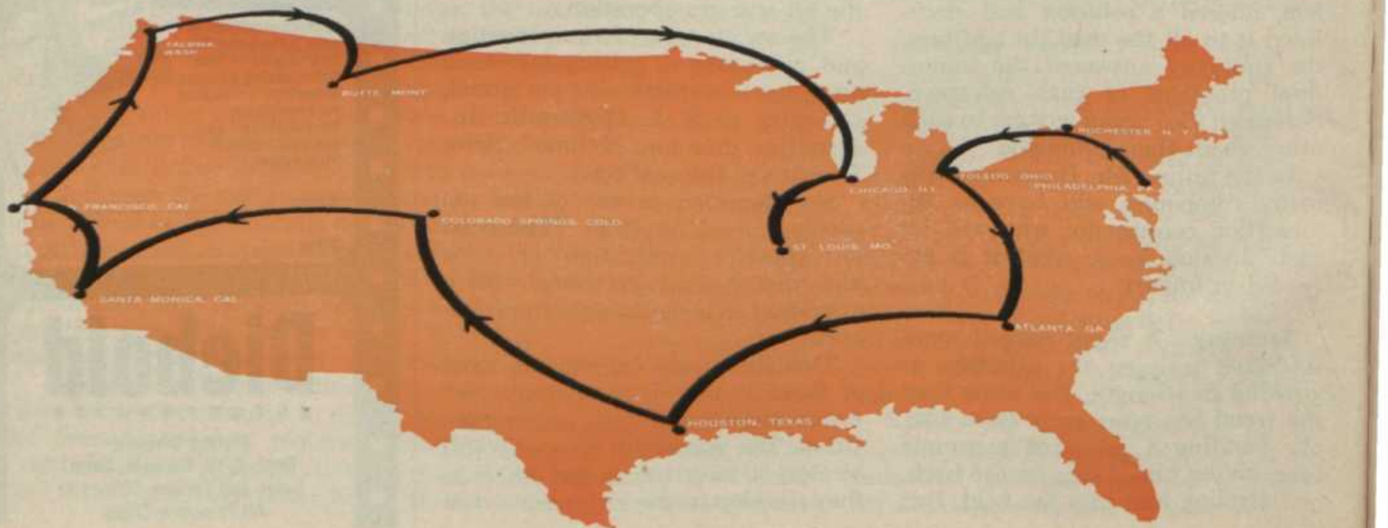
Two things are common to most of these trends in marketing: cost consciousness and stiffening competition. The successful company will be alert to these trends and others as they develop in the new year. END

For the businessman who wants to know what is happening in Congress  and what he can do about it

February is the month of the National Chamber's Third Annual Aircade for Legislative Action.

The Aircade is one of the important business events of 1959. It is for the businessman who wants to know—who needs to know—what Congress is doing and proposing, and what he himself can do about it.

The Aircade plan is forthright and simple. A team of legislative experts and business leaders, headed by National Chamber President William A. McDonnell, will travel by chartered plane to 12 key cities shown on this map. In each city, the National Chamber will conduct a legislative-discussion



session, in cooperation with the local Chamber of Commerce. The event will be fast-moving, colorful, exciting and, above all, *informative.*

At an Aircade meeting, you are not merely a spectator, you are a participant. This is what it will do for you:

1. It will bring you an intimate, understandable, meaningful picture of the 86th Congress;
2. It will give you an opportunity to talk legislative issues affecting your business, to ask questions, to find out what the issues are all about;
3. It will show you how you can make your views felt more effectively in Washington; and
4. It will show you how you can make your influence, action and example felt on the political scene.

Look over the map. Pick out the Aircade meeting most convenient for you to attend—and plan to be there, and to bring others with you.

For detailed information, write to the Chamber of Commerce in the city where the Aircade meeting of your choice will be held.

CHAMBER OF COMMERCE OF THE UNITED STATES • WASHINGTON 6, D.C.

TIME AND PLACE OF THE 1959 AIRCADE MEETINGS	
	FEB. 9—PHILADELPHIA, PA. • Sheraton Hotel
	FEB. 10—ROCHESTER, N. Y. • Chamber of Commerce Bldg.
	FEB. 11—TOLEDO, OHIO • Commodore Perry Hotel
	FEB. 13—ATLANTA, GA. • Dinkler-Plaza Hotel
	FEB. 16—HOUSTON, TEXAS • Rice Hotel
	FEB. 17—COLORADO SPRINGS, COLO. • Antlers Hotel
	FEB. 19—SANTA MONICA, CAL. • Miramar Hotel
	FEB. 20—SAN FRANCISCO, CAL. • Fairmont Hotel
	FEB. 24—TACOMA, WASH. • Winthrop Hotel
	FEB. 25—BUTTE, MONT. • Finlen Hotel
	FEB. 26—CHICAGO, ILL. • Morrison Hotel
	FEB. 27—ST. LOUIS, MO. • Sheraton-Jefferson Hotel

Executive Trends

The challenge to business in 1959

The year just beginning will test the ability of executives to shake off the mind set of a recession and begin to think again in terms consistent with expansion, growth and diversification.

The recession taught management many lessons, not the least of which, as Sylvania president Don Mitchell has observed, is the folly of wildly swinging an economy ax when the going gets rough.

This year you can look for renewed emphasis on executive development—with stress on the down-to-earth aspects of the executive's job; new product introduction, market analysis, profit improvement, and long-range planning. Campus recruiting also seems likely to quicken in tempo.

▶ *In a recent interview with Nation's Business, Samuel L. H. Burk, principal with the consulting firm of Rogers, Slade and Hill, identified the timing of product introduction as a critical present problem, particularly for older companies that of late have been beaten to the punch in the product field by younger, more flexible and less tradition-ridden firms.*

Is social science a good investment?

Corporate support of university research into problems of people at work has been gathering momentum in recent years. It is natural, therefore, that managers should be asking now if this trend is sound.

An unequivocally affirmative answer comes from Charles W. L. Foreman, vice president of United Parcel Service. Mr. Foreman says his company believes firmly in the research effort even though the thousands of dollars which it has put into such programs have not yet produced anything of direct benefit to United Parcel.

"The really important feedback from business-related social science research will come in a few years," Mr. Foreman explains. In the meantime, he points out, all businesses are benefiting indirectly by the findings to date in knowledge of human beings.

▶ *A recent AMA survey identifies four studies as being of the greatest importance in the research thus far conducted. The four are: The University of Michigan Survey Research Center's study of the relationships between productivity, morale and supervision; Yale University research into human aspects of technology and organization; Cornell research into the psychology of groups, and leadership research carried out at Ohio State University.*

Communication as an executive problem

Representative of the line of inquiry that the social scientists have been pursuing is that followed by two University of Michigan psychologists in the field of business communication. The Michigan

researchers have discovered that disagreement over a subordinate's job problems seems to be the chief cause of ineffective communication between superiors and subordinates.

The study shows that the higher executive generally has little conception of his subordinate's problems and in addition seems to have great difficulty understanding these problems. Only six per cent of 35 superiors studied were strongly in agreement with what their subordinates regarded as their key job problems—74 per cent had low agreement.

► *Behind this imbalance, the researchers say, is a fear that the subordinate feels about his advancement. This leads to development of yes men who find some security in agreeing with the boss. In this way, the psychologists point out, the boss receives little information which will reflect unfavorably on the subordinate.*

How unions deprive U. S. of leaders

In a recent talk before a management conference, an officer of a major company told how labor unions are indirectly withholding badly needed executive talent from industry.

The explanation is simple: Through pressure of conformity on their members, unions often dull an individual worker's desire to rise above the rank-and-file.

He can be made to feel that moving up to first-line supervision, or even higher, would be an act of disloyalty to the union, and in some ways an antisocial thing to do.

The worker with executive potential who faces this block is likely to narrow his horizons and begin to burrow into the security of his present job. Or, to release his natural leadership drive, he might seek an office with the union or assume a leadership role in an activity unrelated to his occupation.

► *Management, too, must share the blame for keeping people at a point below their maximum possible development. This can happen whenever management fails to recognize a worker's capacity for growth, or fails to give the eager learner something new to learn and do.*

Business know-how aiding nations abroad

This year's congressional debate over foreign-aid expenditures will take place against a backdrop of growing evidence that skill, not money, is the most useful contribution which America can make to industrializing nations overseas.

Management consultant Louis A. Allen, just back from Africa and Europe, says the underdeveloped areas are intensely interested in acquiring the management skills developed here.

While government and private agencies have made significant progress in imparting these skills to foreign businessmen and administrators, much more needs to be done, and some of what has been done needs to be redone.

► *An example of the latter is cited by an executive who took part in an ICA-sponsored training program in Japan last year. He says the Japanese were "horribly confused" by American speakers who seemed to put all-out emphasis on single aspects of management, such as electronic data processing or quality control. "What we must do," the executive explains, "is keep individual techniques and problems in perspective when talking to foreigners. They require and should be getting an integrated overview of the problems of management."*

TEST YOUR SENSE OF CLOSURE

New research shows many people and companies give faulty answer to question: When is job done?

A NEW WAY OF LOOKING at job performance promises to be a major advance in measuring and increasing a man's true effectiveness in business.

Separate teams of management experts and industrial psychologists, looking for methods of getting higher quality work from a given group, have turned up a by-product that is potentially their most important result:

► *The fact that individuals differ enormously in their judgment of when a piece of work is actually finished.*

This is significant because it is now believed that more than half of all people in the business world are defective in one sense:

They don't know the proper time to throw the switch that turns off their effort in one direction and diverts it to a new job. This is one reason that men who appear to be hard-working employes—and who really are conscientious at heart—may turn out poor results.

Now it is found that many of these cases can be traced back to what the psychologist calls a "sense of closure"—the feeling of completeness and satisfaction that comes of having rounded off a given task. In plain terms, it's the conviction that, "I'm through with this job, and I can go on to something else."

We all get that sensation in everything we do, from the most trifling bit of routine to the greatest of decisions; but whether a man succeeds or fails in a job may depend on when he gets this urge to let the matter rest.

This feeling is basically the same in any type of work—from the craftsman's art to the executive's deliberation of policy. Even though a different set of mental steps is involved, the sense of timing that throws a cut-off switch at the right moment, but not an instant too soon, is similar.

The startling thing is that only a minority of workers at any level have the balanced sense of responsibility to work on a job just to the point of maximum effectiveness. Some psychologists estimate that the number is as low as 18 per cent; others guess it may reach 40 per cent. But all agree that there are more incompetent people than capable ones in this respect. Some compulsive individuals hang on too long, fretting over petty details that aren't worth the bother.

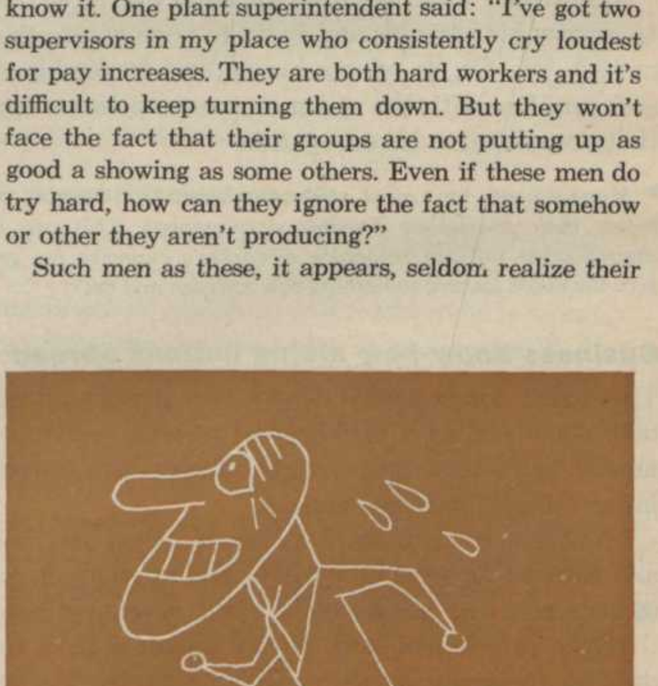
The vast majority let go of each task far short of the completion point.

Though they may, on paper, seem to have done their duty, a series of consistently disappointing results usually flows from their work.

This premature sense of closure is apparently responsible for many problems that become almost traditional in business, such as buck-passing, procrastination, and overemphasis on group decisions.

For years, managers have wondered how a man could be guilty of such faults and apparently not know it. One plant superintendent said: "I've got two supervisors in my place who consistently cry loudest for pay increases. They are both hard workers and it's difficult to keep turning them down. But they won't face the fact that their groups are not putting up as good a showing as some others. Even if these men do try hard, how can they ignore the fact that somehow or other they aren't producing?"

Such men as these, it appears, seldom realize their



Trying hard—not producing

deficiency because they get the sense of closure long before the point of actual accomplishment. Even when others can see there's more to be done, they feel that the job is finished because they can show a certain amount of effort made.

Here is a simple example at the worker level that will undoubtedly remind you of many cases you've seen in your own organization:

A typist is told, "Be sure to get this letter out tonight." Depending on her individual sense of closure, she will take this to mean:

1. Type it and put it on the boss' desk.

2. Type it, get it signed and put it in the "Out" basket.

3. Be sure the typed and signed letter goes to the mail room in time for mailing tonight.

You will see from this that there are varying degrees of error in the sense of closure. Girl No. 2 will be less troublesome to have around than Girl No. 1, though she would still fall far short of making life in the office easier for her boss.

Many girls who stop at Point No. 2 would be genuinely astonished if they were criticized because the letter stayed in an "Out" basket overnight. Because they had a feeling of closure on completing the routine part of the job, they can't see that more might be expected of them.

But the executive who wrings his hands despairingly over this lack of judgment on the part of his secretary may, himself, be just as frequent an offender. In fact, the higher up the managerial ladder we go, the more likely we are to find men who don't do a whole job because the line that marks *finis* to each task is less and less clear.

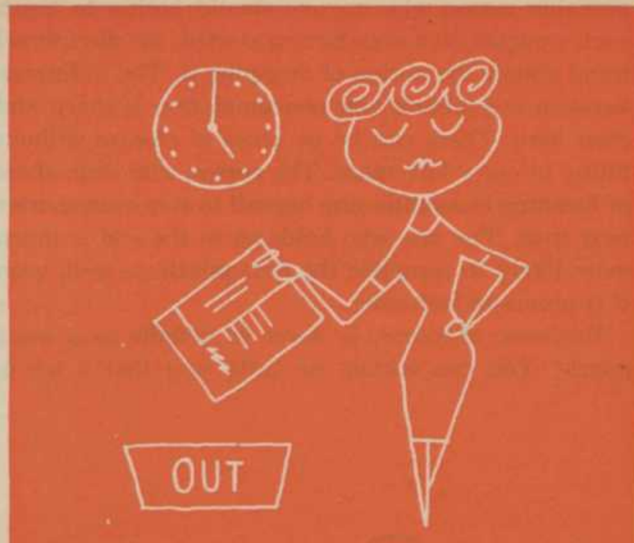
There are many men at high levels whose closure is like that of a former product development manager who was recently demoted to a less responsible job. This intelligent and well liked man excelled at reporting to top management on all the efforts his staff was making to work out the bugs that kept some of his projects from passing on to the production department. For a time, after his appointment, this wealth of well worded excuses impressed and satisfied everyone.

But when 18 months passed and only a fraction of the development projects undertaken amounted to anything, all his colleagues became severely critical of what they took to be an irresponsible attitude on his part.

"How can I boost my sales volume as much as the budget calls for if you don't give me the new products I expected?" demanded the sales manager.

"I promised to cut production costs because you were supposed to be developing a part that could be made cheaper," insisted the production chief. "I can't be responsible just because you didn't come through."

"Our whole future planning was based on an ex-



Be sure it goes out tonight

panded product line," stormed the division manager. "The product development department has stalled the entire program."

Because the object of these tirades was a man they had all regarded highly, the divisional vice president made a last try before giving up on him. He called in a management consultant who spent a day talking with this man, trying to understand whether the problems that had stumped him were really insurmountable.

The consultant reported that the executive was thoroughly conscientious, completely unable to understand why he was being criticized. Wasn't he, after all, working on everything with all his time and energy? Hadn't he turned in reports showing in detail what difficulties kept each project from completion?

"We are pursuing this aggressively," was the magic phrase he put at the end of each report. And his initials at the bottom of such a memo to his superiors gave him a sense of closure. The fact that more was expected baffled him because it hadn't entered his mind that there was any more.

Unfortunately, the responsibilities of the product development job were too urgent to allow time for this executive to change his ways. He had to be replaced. But it is hopeful to note that a defective sense of closure is not an unchangeable characteristic. In many cases, an intelligent person can be helped to improve his closure timing.

If this problem concerned only the incompetents, it might be considered limited. But it actually affects everybody to some extent, for the achievement of a satisfying and lasting sense of closure is the greatest stimulant to make us go on and do better in other jobs.

A crossword puzzle or other game of completion is a good illustration of how this human trait can spur us on without regard to tangible rewards. There is no

provable reason why anyone should bother to finish such a puzzle. Yet, once having started, the disciplined mind abhors the notion of dropping it. The difference between completion and noncompletion is sharp and clear here. There can be no sense of closure without filling in every last space. The person who stops short of finishing is conditioning himself to stop even shorter next time. The one who holds on to the end is much more likely to complete the next puzzle as well, even if it proves to be harder.

Business, of course, is never so definite as a word puzzle. You can seldom be quite sure that a job is really done. But the knowledge that your judgment of closure needs to be frequently rechecked and tuned will help to improve performance.

We are pursuing this aggressively

The fact is that almost no one has an absolutely perfect sense of closure. Every individual and every organization can make great gains by aiming for improvement in this area, even if there appears to be no serious problem.

Aside from an occasional look at your own closure reaction, there are two ways of putting these findings to immediate use in your business life:

1. In rating each of your subordinates and the work of your group as a whole.

2. In making constructive changes that will improve the closure sense of your people.

Just realizing that a shortcoming in judging closure does cripple many otherwise able men is a great help in rating others. After applying all the standard criteria to a man's work, the question, "Does he know exactly how much of his time to invest in each job?" will add a new factor of measurement.

Several times this question has made it possible to select the better of two men who otherwise appeared equally capable.

One such instance concerned the selection of a general manager for the largest division of an appliance manufacturing company. The search narrowed down to two men, each of whom had successfully managed one of the company's plants. At that point, as the firm's president told the director of executive personnel, it was "six-to-five and take your choice."

One candidate had shown better profits on his operations; but the other, a less dynamic man, had kept his plant in better condition. In all other respects, their backgrounds were about equal.

The personnel man had no authority in the making of this selection, but he was told to feel free to contribute suggestions. So he asked the chief executive:

"Which one is best at deciding just how far to go before he considers a job finished?"

The president answered with hardly a moment's pause: "Carl has the edge there. He sees a thing through, all right. Dick is likely to move on fast and not worry about what's in his wake."

This angle led to a closer look at the plant operations of the two men. Seen from this standpoint, it became clear that Dick, although a good manager, had achieved his better profits by ignoring several factors that would haunt him later. Apart from his disinterest in plant maintenance, which was easily correctable, he had neglected the morale of his personnel—and that was less simply repaired. Carl's plant, as time proved, would be more profitable over the long pull.

The difference between these two men was that one thought his job was completed when he showed a profit. The other didn't achieve a sense of closure until he had prepared for future operations as well.

Happily, this is the kind of rating factor that can be put to constructive use.

When we rate a man for initiative or analytical ability, we can only look at the facts as they are, accept them, live with them. You can't add greatly to an individual's intelligence; and though you may get him to exert a bit more drive, the effort is likely to be harmful if it makes him try to generate a kind of vitality that just isn't in his nature.

But anyone can be guided into the habit of looking for the definite beginning and end of each task. It can be made the custom in your organization for everyone to stick with each job until he reaches the point where someone else is supposed to take over, and knows it.

Very often, a defective sense of closure exists in an entire staff. When that is the case, it usually stems from a long-standing laxness on the part of higher management. A lower degree of responsibility has been passed as acceptable performance, and it has come to be standard.

Combating this requires three main policies:

Make each responsibility completely clear: You can't prescribe in advance exactly what every job will

entail. But you can set certain guideposts as to what constitutes complete performance. For example, a man who is given an assignment like the product development manager should be told bluntly, "Your main responsibility is to give us new items to sell and better ways to produce the present line. Managing the research staff and reporting to top management on your progress are parts of the job, and we expect them to be adequately handled. But your work is done only when this company gets a flow of finished projects that actually add to our profit-making ability."

Refuse to hear excuses. This has to be tempered with mercy, of course. There are valid excuses for delays and failures, but generally the boss who gets most from his group is the one who shows relatively little interest in what obstacles they are encountering. He sets certain goals and certain deadlines, and then is not too sympathetic if there is talk of failing to meet them.

At the same time, however, he is ready to forget the past and look to the future. A boss who scolds endlessly about what didn't get done only fills his people with discouragement. They feel that nothing they can do will wipe out their past misdeeds. Instead, the attitude should be:

"No, the hard luck story you've just told me doesn't interest me. Your job is not complete. So I'm not satisfied yet. But get busy and see to it that I am satisfied at this time next week."

Test for closure sense. This attitude can't be inaugurated all at once. No single action will do the trick. Only the slow accumulation of one experience after another will convince people that a new level of expectancy has been set.

First, however, it's helpful to get a clear picture of how your organization now shapes up in this respect.

Here's a brief quiz to give you some idea whether

Make responsibility clear

Refuse to hear excuses

your company or department is one where people are inclined to get the sense of closure at the right time or prematurely:

1. Do people in your office frequently raise questions or point out problems without having a solution to suggest?

2. Do some groups complain that they have to complete work that should be done by others?

3. Have you sometimes heard a man say: "I don't know what happens to that after it leaves my desk"?

4. Do you have the feeling that some of the key men in your operation would—if presented with a tough question—be content to find a solution that just barely "gets them out from under"?

5. Whenever a temporary solution to a problem is found, do your people usually drop the subject without looking for a permanent answer?

6. Do you still have problems pending that seemed to be nearing solution at this time last year?

7. Is it a common occurrence that when something goes unfinished or an error is made, no one is quite sure who was responsible?

8. Are a large part of the interoffice memos and meetings in your operation devoted to explaining why certain results weren't achieved?

If three or more of these questions were answered "yes," it's a sign that you may have a closure problem in your office. Some "yes" answers may, of course, stem from other causes, such as a faulty organization chart or office politics. But even those problems are sometimes founded on a wrong sense of closure, so this new point of view may provide an advantage in coming to grips with them.—CHARLES A. CERAMI

REPRINTS *of "Test Your Sense of Closure" may be obtained for 10 cents a copy or $6.75 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D.C. Please enclose remittance with order.*

Smart marketing, product planning add strength for meeting changes

is still around—and most machinery can be considered old if it was put in before the Korean War, that is, before the new postwar designs really became available. One estimate puts the capital needed to replace this old and rapidly obsolescent equipment as high as $100 billion—and most of this is in equipment of pre-World War II vintage.

One conclusion from this is to doubt those who believe that the era of major capital spending on the part of business is ended for the time being, as we have caught up with demand and even have, for a few years, excess capacity in several industries. There is reason for belief, in other words, that the need to replace old equipment (without adding to capacity) may be as potent a motive for capital spending as the need to build new capacity was during the last 10 years. A new capital boom, to replace old equipment, is thus not unlikely.

But this adds at the same time to the seriousness of the personnel-cost problem. Everytime we replace an older machine by a new one, we increase the demand for mind work. In fact, this is the real meaning of mechanization and automation. We lower unit costs but make the whole cost structure, including personnel costs, increasingly rigid, turn it increasingly into fixed costs.

Depression-proofing

When the outlook for American business seemed bleak indeed, around February 1958, three men—two senior partners in leading management consulting firms, and one prominent investment banker—sat down one evening and began to talk about the large companies they knew and their chances to weather a storm. They talked for a little while, until one of the men said: "Let's go through the list of 250 largest corporations, and each put down on a sheet of paper those which, in his opinion, are likely not only to weather a fairly serious storm but even to do reasonably well in it."

Each made his own list. When they showed these lists to each other, they found that they were in substantial agreement. Finally the three men put down the names of a few companies which, they thought, should do better than average. They gave this list to yet another friend—also a management consultant—and asked him to keep it in his office safe. On the first of October they opened it and compared it with the actual results of these companies for the first six or seven months of the year.

There were 23 large companies on the list. Every one of them lived up to expectations—the majority doing better in 1958 than they had done in 1957. The men should have added three to five more names to their list but on the whole their batting average was amazingly high.

What made them pick out these 23 companies? Was it the industries these companies were engaged in? No—the list included steel companies and appliance companies, consumer goods and textile companies. But each company selected was considered exceptional under one or the other of two criteria.

Either it was a company—and this accounted for about 18 of the names—that had tackled its marketing job seriously. Or it was a company that really knew how to manage innovation, to generate new products, to test and market them.

I cite this not as an example of successful crystal-ball gazing but because it underscores a major lesson of this recession.

A company, even in a badly affected industry, can escape if it has worked to make itself depression-resistant. It can, in the first place, have strengthened its basic situation by systematic marketing—which is not as much a matter of technique as it is a point of view, a basic attitude, a common approach throughout the whole business, which tries to look at the business and its product from the point of view of the customer, his satisfaction and the uses and needs which the products serve for him.

One amazing example of this is a large steel company.

Everyone would have said that a steel company has little control over short-term economic fluctuation. It is dependent upon the business level of its customers. There is nothing in the location, product mix or prices of this company to set it apart from the other big integrated producers. Yet this particular company showed, throughout the entire period, both order and profit figures way above the average of the industry. From the figures of this one company one would, indeed, never have guessed that anything was seriously amiss in steel production, let alone that it dropped 50 per cent.

For the past 10 years, this company has systematically tried to bring into the management of the business the point of view of the customer and a real understanding of what the company and its products have to be and do for him.

There are similar examples in other industries.

Intelligent management of innovation plays less of a part, but only because it is still so much less common (it is also much more difficult and we know much less about it). But it, too, made a real difference even in industries where the general trend was exceedingly adverse.

This shows that it is possible to do preventive work against the dangers of a short-term recession. To start selling like mad when the bottom is already dropping out of the market is rarely effective. In fact I have seen few examples of hard selling during this period that really produced measurable results. But marketing during good times, when selling itself is easy, seems to be of major importance.

Incidentally, businesses that do not manufacture a product had the same experience. In New York City, for instance, a few among the large banks applied marketing thinking to their business during the past five years. This led them to discover that making loans is their business, that the customer who asks for a loan does not ask a favor but brings business to the bank. This has not led them to relax credit standards, but it has led them to take the attitude that it is the bank's job to find a way to satisfy a customer's reasonable financial needs and to make sure that he has the right kind of financing and enough of it.

As a result these few banks have fared quite differently in these past two years of difficult banking business than the majority did.

There are also significant differences in the results of insurance companies and department stores that can be explained only as differences between the results of systematic marketing and of its absence.

We also learned something about what makes an individual depression-resistant. I became curious about this when I noticed that some

people who were losing their jobs in these past 12 months seemed to have no difficulty finding others, often better ones. Other people who seemed to be as well qualified and as personable had quite a time of it. I asked one of the leading executive recruiters if he had noticed this and whether he had an answer. In particular I pointed to two men who, I knew, had been placed through his efforts. They seemed to have equal qualifications, yet one was out of a job for nine months while the other was hired before he even left his previous job.

"There is a difference between these two men," the recruiter said; "and it is the difference that in difficult times always tells in our experience. In good times people ask primarily: 'What has a man done?' Then qualifications are decisive.

"In hard times, before hiring a new man, people want to know: 'Has he learned how to learn?' "

He still, of course, has to have the knowledge. But above all he has to show that he can learn new things, that he can grow, that he has the capacity to develop himself. "The most difficult time we had," he added, "was in placing exceedingly high-skilled but narrow specialists —the people who were the easiest to place in 1956. With people who showed that they could think through a job and could really develop themselves and it, we had no difficulty this year."

Perhaps what is true for companies is true for people too. The ones who can resist a depression and can even profit in it are those who apply some marketing thinking to themselves, who look at their own development, their own ability, the things they have to learn and to do, from the point of view of the prospective employer rather than from that of the product, that is, of their specialty. They are the ones who can use their knowledge for new tasks.

Area of weakness

One important lesson of this recession was that we still, by and large, botch the job of managing the money in the business. Above all, we are poor at managing inventories.

It is not only that far too many businesses were caught in the late summer of 1957 with inventories too high—and that far too many continued to produce for inventory long after the storm signals had gone up. We do not build, keep and control a balanced inventory.

As orders started up again last spring, many businesses were desperately short of inventory of badly needed items. Yet their inventory figures were still too high. Their financial people—let alone their banks—screamed about reducing inventory when the sales people screamed about losing sales because of depleted inventories. What they had in inventory—and had much too much of—was, in other words, the slow-moving difficult-to-sell stuff. They did not have in inventory what they should have had: the current, bread-and-butter, most needed stuff.

The villain in this is the common belief that inventory can be controlled by means of one over-all dollar figure. It is a rare business that produces and sells only one commodity. In all others the over-all dollar figure is a snare and a delusion; An even greater delusion is the idea of six weeks inventory for everything. This inevitably leads to unbalanced inventory which contains too many of the vulnerable items and too little of what is really needed to give service to the customer and to keep the plant going.

There is nothing new in this. We have known for years that we need to have inventory controls that think through the problems and the risks of inventory for each major product line: the delivery service the customer needs, the lead time of production needed in the plant, the economical run that is the minimum we can turn out at the optimum cost.

There is nothing mysterious about learning to control inventory—it only requires a lot of hard work. Yet even large and otherwise well managed businesses often have inventory control figures that, inevitably, let the company down when it really needs to control its inventory.

Indeed, the disproportionate drop in profits in a good many businesses resulted not only from frozen personnel costs but from the costs of carrying inventories that should never have been accumulated and of depleting inventories that should never have been let run down.

Major problem

This is only part, however, of the much bigger problem of distribution costs and distribution productivity. Direct manufacturing costs, the recession proved again, we can control. We know little about the costs of distribution and apparently cannot control them at all.

Fifty years ago the great bulk of the American population was engaged in direct production, as farmers or as manual workers.

Today more than half of the work-

RECESSION-PROOF

continued

ing population is in distribution and in service industries. The productivity of direct production labor has been going up steadily by something like three per cent a year (much faster in the case of farmers). But has the productivity of distributive and services work gone up? Do we even know how to measure it?

Yet the wages and incomes of the people engaged in distribution and the services has risen just as fast as the wages of those engaged in direct production.

This is clearly a major cause of inflationary pressure. It is a major threat to economic stability. During the recession, retail prices kept going up even though the prices of raw material and, in many cases, manufacturers' prices, went down sharply—the reason being that distribution costs are not under control. This means that 60 per cent or so of our cost—and this is what the cost of distribution and services amount to as a share in the consumer dollar—is uncontrolled, uncontrollable and even, largely, incapable of being analyzed. Understanding of distribution costs, the analysis of their nature and contribution, and above all systematic work on the efficiency and productivity of distribution, are thus major jobs ahead.

An example of this is, for instance, telephone service. The telephone companies have performed near miracles in designing new equipment. They have succeeded largely in replacing the production worker, that is, the individual operator, by automatic machinery which enables them not only to do the work more cheaply but to handle the tremendous volume of telephone communications without which our economy and society could not exist. But the installation and repair of individual equipment in home or office is still done by hand. It would seem (at least to an outsider) that the telephone companies cannot add much to their efficiency by further mechanization of the already highly mechanized production job. But what can they do about making the services work more effective and, therefore, cheaper?

We face the same problem in retail selling, in financial services, or in the effort it takes to sell an individual piece of machinery to a customer—for instance, a turbine to a public utility. Sales service and distribution costs are going up—simply because they are largely costs of individuals, and increasingly of highly trained and, therefore, highly expensive individuals. But productivity is unlikely to be going up to anything like the same degree.

These are the main lessons for the businessman: the structural changes, the new opportunities, the new tasks. They are practical lessons—though learning and applying them will keep us busy for years.

In conclusion I might, however, add a few words about the lessons for our economy.

The American economy showed unexpected strength during this year. The year showed that we are no longer dependent on the automobile industry as we used to be to a dangerous degree.

The year also showed a high degree of stability in our exports and imports. Imports proved as resistant to the recession as consumer spending. Exports seemed to fall quite sharply—but actually all that happened was that Europe's emergency purchases of fuel made in 1957 disappeared when the Suez Canal reopened. Otherwise exports held up—may actually have increased (at least they were above the 1956 level). Yet sharp drops in foreign trade had been generally expected to result from even small fluctuations in business activity at home—simply because America's foreign business, especially our exports, had grown faster than any other part of the economy in the past 10 years.

But while the American economy seems to have become much sturdier and much more able to resist even sharp changes in the economic weather, the outside world has become very sensitive indeed. Where we had trouble, some of the less developed countries, especially Latin America, got a serious attack of economic dysentery. There has been no period, not even during the 1930's, when the currencies of Latin America depreciated as fast and as sharply as in the past 12 months.

A new demand on our economic policy will, therefore, be that it provide for some form of immunization for the growth economies. These economies have shown amazing capacity to grow and to develop over the long pull, but also a vulnerability to short-term changes in the weather that is highly dangerous, especially politically! To find recession shots for the growth economies may thus become a new central problem of international economic policy.

It is a problem of direct interest to the businessman as a citizen, a taxpayer, an investor, an exporter and an importer. END

Publisher's note—This is an advertisement, but one of such unusual character we are glad to be a sponsor of it

Persuaders in the Public Interest

The story of a little-known band of men and women who created a Hundred Million Dollar Non-Profit Trust that works for the public good

By JASON WEEMS

Last summer, a father, driving his vacationing family through one of our great national forests, pulled up for the view where a mountain road looked down on a deep, wooded canyon.

Filling his pipe, he flared a kitchen match with his thumbnail, in the Western manner.

"Hey, Pop," cried his eight-year-old son, "don't throw that match out the window, break it. You know what Smokey the Bear says."

Smokey has been urging people to take such precautions against starting forest fires for 16 years. You've probably seen his messages on posters, on TV, or in print. Or heard them on the radio.

Smokey, who now lives in the Washington, D.C., zoo, was a real-life bear cub. A forest ranger found him wandering in the smoke of a forest fire which had consumed his mother. Advertising men dressed him up in print as a forest ranger and made him the greatest fire fighter of them all.

As a result of his efforts, the U.S. Forest Service estimates that, since 1942, 600,000 forest fires *did not start;* 260 million acres of timber *did not burn;* and nearly 10 billion dollars of damage *was not done!*

Who Made Smokey a Hero Fire Fighter?

Smokey got his start in the fire-fighting business in 1942 when the U.S. Forest Service called for help from a unique business organization called The Advertising Council.

You've probably never heard of The Advertising Council, but it is unlikely that a day passes in which you are not exposed to the persuasive messages, prepared and disseminated under its auspices, on the air or in print. This is a good thing for you, and for your country.

Persuasion in the public interest started when an advertising man had lunch with a Princeton professor and three officers of the Rockefeller Foundation in New York. This was in the spring of 1941.

ABOUT THE AUTHOR—Jason Weems is the pen name for one of America's most versatile men. He has been successful as a Bible salesman, a printer, an advertising writer, a book and magazine publisher, a government official, the head of a social science research laboratory and consultant to a large Foundation. He is the author of several books.

The Adman Stuck His Neck Out

The professor was doing research in communications under a Rockefeller grant, so the lunch table talk naturally turned to the art, or science, of communication. That was when the adman stuck his neck out.

He said all foundations were making two mistakes in policy. First, they spent most of their money on the *increase* of knowledge and very little on the distribution of it. Second, when they did spend money on the distribution of knowledge, they used old-fashioned horse-and-buggy methods, and ignored the modern high-speed effectiveness of motion pictures, broadcasting, and advertising.

Seeing a responsive gleam in the eyes of the late, great Dr. Alan Gregg, world-wide student of medical problems for the Rockefeller Foundation, the advertising man went on to elaborate his idea in terms of what advertising could do to spread new medical knowledge among all the people.

Persuasion for the Public Welfare

His convictions, widely shared by many advertising men at that time, boiled down to this:

1. American advertising facilities and techniques had become the most effective means for the communication of new knowledge, and for persuasion to use it, which the world had ever seen.

2. This means of communication could be used just as effectively in the public interest as it was being used in the private interest.

3. Advertising being a communication facility developed by business, business itself might well consider making it available for public welfare projects and organizations.

Out of these convictions The Advertising Council was born in November, 1941. Its initial organizers and financial supporters were the six official organizations of national advertisers, of magazine, newspaper, radio, and outdoor media owners, and of advertising agencies.

It had barely been organized when it was called upon to play a greater role than any of its founders had envisioned.

The Stab in the Back

On December 7, 1941, the Japanese struck Pearl Harbor. A country at war found itself faced with vast new prob-

lems which could be met only with the cooperation of all the people.

Scrap metals, rubber and paper were needed in vast quantities, and they had to be gathered up from every farmyard and city cellar.

Fats and wheat had to be saved to send to our allies.

War Bonds had to be sold.

Merchant seamen, WACS, WAVES, and nurses had to be recruited.

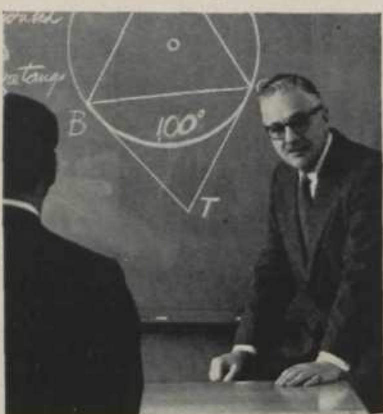
Victory gardens had to be planted.

Altogether, before the war was over, civilians had to be persuaded to do more than one hundred things like this.

Great Britain, faced with the same problems, had turned to paid government advertising to help solve them. This made the government by far the biggest, and almost the only, advertiser in the country. Some felt this was a potential threat to freedom of the press.

"42 years with chalk on my sleeve"

The story of a man who was a national hero for 42 years and never knew it!



"I've been a schoolteacher for 42 years. Now they're trying to tell me that I'm a hero, too—*me*, a national hero, for teaching geometry!

"Lately, there's a lot of talk about education, being America's best defense. All of a sudden, we teachers are in the spotlight—'heroes of America's future security' someone called us the other day. It really makes you stop and think.

"Frankly, I've never *felt* much like a hero. Certainly there were times when I didn't *act* like one—times when I almost quit teaching for a job with more money or position. But each time I started to dream about the extra things I'd be able to give my own children, I'd remember the other young folks in our town—the slow child who needed help after class . . . the quick one who needed encouragement to compete for a scholarship . . . the typical student who had to be shown how exciting learning can be. I guess I knew all along I could never really leave them.

"That's why it's so hard to think about retiring—especially now, when America needs good schooling more than ever. Luckily, I know I'll still be able to play an important part in the fight for better education. You don't have to be a teacher or even a parent to work for revised curricula, higher standards of student achievement or improved status, prestige and training for teachers. People just like you and me are working toward these goals all over the country."

We *must* have *first-rate* schools, not only to prepare our children for all branches of higher learning, formal and informal, but also to make them well-informed adult citizens. An educated America is a free America.

For full details on how you and your community can help, write to "BETTER SCHOOLS," 9 EAST 40th STREET, NEW YORK 16, N. Y.

SPONSOR

AMERICA'S LEADERSHIP DEPENDS ON FIRST-RATE SCHOOLS

This message is published as a public service in cooperation with The Advertising Council.

BETTER SCHOOLS—The continuing purpose of this campaign is to maintain public interest in the nation's schools, which must be ready to train rising school populations over the next ten years. In 1958, State School Committees increased in numbers and Parent-Teachers Association membership rose. Citizen concern about our schools and what they teach is at a new high level.

America Chose a Better Way

Our government turned to the newly formed Advertising Council, which quickly became the War Advertising Council.

The Council called for volunteers. Advertising agencies supplied talented people to prepare the messages needed. Advertisers, magazines, newspapers, radio stations, and outdoor poster companies supplied advertising time and space to carry the messages to the country.

All these interests responded through the War Advertising Council. America responded to the messages.

By the end of the war, more than *One Billion Dollars'* worth of government messages had been published and broadcast as a contribution of American business to the war effort.

The results proved what advertising men had long believed: that advertising could as effectively inform and persuade people to act in the public interest as it had in their private interest.

Waging the Peace

When the war ended, many in the War Advertising Council thought its usefulness was over. There were more who felt that the instrument of public information, which the Council had created, was far too valuable to be reserved for war.

The government still had jobs of public information which needed doing . . . such as forest fire prevention, and the sale of Savings Bonds; and there was the original Council concept of broad public service such as assisting the work of the Red Cross, CARE, March of Dimes, the National Safety Council, and many others.

The word "War" was dropped from the name, and The Advertising Council continued. But here it faced a new problem.

Who Decides What's in the Public Interest?

Under the imperatives of war there was no question about what projects the Council should undertake, but when it came to non-governmental organizations and non-war projects of government departments, who was to determine which ones were in the public interest?

The businessmen who were the financial supporters and operators of the Council's facilities did not feel it was in the public interest that they alone should decide such questions.

As a result, a Public Policy Committee was created. This was a group of 20 of America's most distinguished citizens with backgrounds and experience in various areas of American life. One of the first to accept an invitation to serve was Dr. Alan Gregg, who remembered the luncheon where he first heard how advertising might help solve some health problems.

The men and women who serve, without pay, on this Public Policy Committee are drawn from business, labor, education, agriculture, the religions, medicine and public affairs.

They represent no one but themselves and the best interests of their country, as they see them.

When a project is presented for The Advertising Council's support, the Board of Directors first decides whether or not it can benefit from broad national advertising. If they decide it can, it goes to the Public Policy Committee which votes on whether or not it is importantly in the public interest. The Public Policy Committee must approve the project by a three-fourths vote before the Council will tackle it.

What Kind of Projects Are Approved?

Since the war, The Advertising Council, with the approval of the Public Policy Committee, has presented numerous national problems for your information and consideration, and programs for your support and action.

There are emergency programs, such as appeals of the

Red Cross for disaster funds. There are periodic programs, such as the one called "Religion in American Life", which reminds you of the strength to be drawn from attendance at your church or synagogue. (Gallup polls have shown a steady increase in attendance at religious services since this program started.)

Other programs, such as Forest Fire Prevention, have been continuous over a period of years. One is the Stop Accidents campaign for the National Safety Council. It has helped bring the traffic toll to a new low per vehicle-miles traveled. Still another is the drive for Better Schools, which has stimulated formation of State School Committees, and increased membership in Parent-Teacher Associations. Result: citizen concern about our schools and what they can teach is at a new high level.

One of the largest and oldest is the campaign in support of the U.S. Treasury for the sale of Savings Bonds. You have probably responded to both your own and your country's benefit.

The Council Doesn't Wait to be Asked

When the Council sees a developing national need which calls for the help of better public information, it tries to get a program started.

A recent example was creating and getting support for a program of "Confidence in a Growing America" in the spring of 1958. Twenty million dollars' worth of advertising time and space told Americans why they were justified in having such confidence. This helped avert the development of a "depression" psychology. Government, economic and business leaders say it helped reverse the downswing of last spring.

The Advertising Council has also tackled the problem of misunderstandings about America abroad. The Round Tables on American Life, sponsored by the Council in 1953-54, developed a description of the American economic system as "People's Capitalism" which was widely disseminated throughout the world by the U.S. Information Service.

In later Round Tables, in which both Yale University and the University of Chicago participated, citizens and scholars have been developing the story of America's cultural life to help correct the distorted picture of America often painted abroad.

More Than 100 Million Dollars a Year

Altogether, the programs of The Advertising Council get more than 100 million dollars' worth of support every year. The support comes from American business, large and small corporations alike. It comes from owners of magazines, newspapers, television and radio stations, outdoor and transit advertising facilities. It comes from the volunteered talent of America's leading advertising agencies.

Most of it is represented by donations of advertising time and space. But there's also cash to support the necessary staff work of the Council and some of the programs it originates.

A great deal of it results from the devoted services of a group of some 70 of America's leading corporation officers who serve the Council, without pay, as its Industries Advisory Committee.

Why Haven't You Heard About the Council Before?

This article might well have been titled, "The Light Hidden Under a Bushel." And that might seem a contradiction in terms when it comes to advertising.

But it is a fact advertising men are little given to advertising themselves.

Their first rule is: "Never get on the stage in front of your client."

So the chances are that any one of these public service messages you read or hear does not identify either The Advertising Council or its business donor as its sponsor. You see or hear it only as a message from the organization which it serves.

Yet He who first spoke of "a light put under a bushel" also said: "Let your light so shine before men, that they may see your good works."

And so it has seemed to me it was time for all our citizens—the millions like you and me who have responded to the appeals which The Advertising Council daily casts upon the waters—time for us to know and fully understand the workings of this great Public Information Trust.

So the next time you hear from Smokey the Bear, you might like to remember the uniquely American institution that put the words in his mouth for the good of us all.

The Advertising Council demonstrates by actions, not words, the social responsibility of American business and the power of advertising in the public interest.

Even more important, it has proved that Americans will move to solve the problems of their society with intelligence, sacrifice, and courage whenever they are adequately informed of these problems and persuaded that they need solving.

You'll recognize some of these examples of 1958 campaigns

STOP ACCIDENTS

Traffic fatality rate reduced 40%

BETTER SCHOOLS BUILD BETTER COMMUNITIES

Public interest in schools greatly increased

Ownership of U.S. Savings Bonds at all-time high

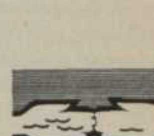
Church and synagogue attendance rises

OUR FUTURE IS GREAT IN A GROWING AMERICA

Helped to stop depression psychology

NATIONAL ASSOCIATION FOR MENTAL HEALTH

Promotes greater public understanding



Religious overseas aid through three major faiths

Aided the attack on paralytic polio

HIGHER EDUCATION KEEP IT BRIGHT

To combat crisis in colleges

UNITED

Helps 2100 United Funds and Community Chests

VOTE

Register, Vote and Contribute

The Advertising Council . . .
for public service

If you would like to know more about this work, this magazine suggests you write for a free booklet to The Advertising Council, 25 W. 45th St., New York 36, New York.

U.S. FACES NEW RED ECONOMIC PUSH

A top State Department official tells what's ahead and what business can do

This year will be the most critical to date in the intensifying cold war between the free world's nations and the captive countries of the Soviet empire.

Congress will struggle again at this session with the issue of how much we should spend to check Soviet aggression.

On the economic front there will be new developments of far-reaching significance.

Soviet boss Nikita Khrushchev has clearly stated his country's intention of wresting markets from the United States and of speeding Soviet industrial output until it outstrips that of western countries. This warning will be repeated again when the communist party Congress meets in Moscow this month to weigh Mr. Khrushchev's new seven-year plan for economic development of the USSR.

The stakes in the economic competition between East and West are high. They include vital overseas markets—existing and potential—foreign sources of supply, foreign outlets for U. S. investment capital and, perhaps most important, the sympathies of nations in Africa and Asia, and even those on our doorstep in Latin America.

The Administration and Congress are studying various proposals to encourage greater participation by Amercan businessmen in the economic development of other countries. Among the recommended proposals is one from the U. S. Chamber of Commerce to defer payment of U. S. taxes on income earned abroad.

To get the views of the man in our government working closest to the problem of the growing economic war with Russia, NATION'S BUSINESS interviewed C. Douglas Dillon, Under Secretary of State for Economic Affairs. Here's what Mr. Dillon said:

What is this country's biggest problem in the economic cold war?

I think our greatest problem is to get our people to understand the importance of the imbalance between the standard of living in underdeveloped countries and our own, and the tremendous dangers for us and for our system if that condition continues to be aggravated. During the past few years I think it is clear that the gap between the two has grown larger rather than smaller. That is the situation the Soviet Union is playing on. As our people come to understand this, there will be greater support for the actions necessary to combat it.

What can business do to help?

Business can do a great deal because this is, in essence, a competition between our two systems—the free system and the Russian-planned totalitarian system. One of the Russian objectives in this effort is to discredit our free system, to say that our free companies are operating for imperialistic motives. Our businessmen alone can carry the image of free enterprise abroad.

Business people have got to work more closely with people in the foreign countries where they operate. They can do a tremendous job of building a proper picture of what private enterprise can do and the fact that private enterprise is helpful to underdeveloped countries in which they are working, and interested in their welfare.

Do you expect concrete action and suggestions to come out of the State Department study now being made on ways private industry can play a larger part in the development of other countries?

I would very much hope so. At present we are working on a number of general fields: promoting the flow of capital from the United States—which might involve taxation—and suggestions that would involve increasing the flow of private managerial and technical skills.

What level of foreign-aid spending do you see as necessary for the U. S. over the next few years?

It is difficult to predict any level over a period of time because it depends on developments, particularly if you look at the military assistance aspects. They can be greatly influenced by whether there is military action somewhere or not.

[Editor's note: Foreign aid since 1948 has cost U. S. taxpayers more than $60 billion.]

On purely economic development aspects we have also to look at the amount of private funds that flow abroad. But I would think that, if we are going to see this gap between the living standards in the underdeveloped countries and our own hold somewhat level—it is going to be difficult to narrow—we will need a

greater expenditure of funds from all sources than in the past two or three years.

We have been making a big effort to get other countries to cooperate in this effort, and we have had some success. The realization of the importance of this problem is spreading. The fact that both the British and the Germans have extended substantial assistance to India, with both Canada and Japan joining in a lesser way is, I think, significant.

What you are hoping for then is a three-way effort?

I would say three-way: other countries, private foreign investment and the U. S. government.

Mr. Secretary, during the coming year do you expect the Soviet Union to intensify its foreign economic offensive in the underdeveloped countries?

Yes. I think that the Soviet, in its economic offensive, will seek ways to take advantage of every possible opening that they may think they have.

The Soviet economic offensive tries to penetrate underdeveloped countries in a rifle approach, concentrating aid more heavily in areas where they feel they can stir up trouble and cause tensions. I think that they will take advantage of anything of that nature, depending on circumstances.

Their efforts may vary from country to country?

I think they will vary from country to country, from region to region, depending on what they may consider their potential political advantage to be.

What will be some of the means they will use?

They will use all sorts of means, as this is a total offensive which involves aid to certain countries where they may think that it is effective. It

CLARK-BLACK STAR

Under Secretary Dillon: "Our businessmen alone can carry the image of free enterprise abroad."

Soviet concentrates in limited areas for good showing

involves trade agreements, buying goods for prices a little higher than the world market level, generally increasing their influence through trade.

And then they have shown a perfect willingness—the case of Yugoslavia being the most interesting recent one—to cut off that aid or cut off their trade relations because of some political action a country may take that they do not like. I think you may see more of that.

A similar example in the trade field is the Chinese communists' decision suddenly to interrupt overnight all their trade relations with Japan for purely political reasons.

How successful are the Russians in their economic offensive?

They have had a certain amount of success because the great issue in underdeveloped areas of the world is in getting more development. That means two things: technical assistance and capital. The Soviet is prepared to provide both. They are willing to use this particular approach on a rather massive scale in certain countries. Where that is taking place they have had a certain amount of success.

There have been criticisms that the communists steal the show from us in the fields of propaganda and in getting there first with means for economic development. Is this valid?

I do not think the criticism is entirely valid. We are covering a much broader area. They just try to pick weak spots, moving in heavily in a particular area, which we cannot match.

Why can't we match that?

Well, I imagine that maybe the United States would have the resources to match anything. But it does not seem to be good policy when the Soviet gives a country such as the United Arab Republic several hundred million dollars of assistance for us immediately to give them several hundred million dollars also. It would greatly strain our capacity, which is not unlimited.

Certainly the Soviet cannot operate on that sort of a scale in many countries. They have limited themselves so far. While they are operating in 16 or 18 countries, 90 per cent of their operations are in about five, and those are the ones that make the big impact.

The communists do have certain advantages of timing which they will always have because they have a dictatorial regime. They do not have congresses or parliaments or public opinions. Consequently, they can make some of these decisions a little more rapidly than we can.

But we have certain advantages, too, with our private enterprise system, and in the long run I think we are in better shape than they are. I traveled recently through Tunisia, Greece, Turkey, Iran, Pakistan, India and Spain. I found no feeling that the Soviet was doing a better job than we are. They were all aware of the problems and were determined to stay independent and free, and not get too greatly entangled, although some of the countries were accepting Soviet aid.

What is the most acute need at present in the foreign-aid field in these underdeveloped countries?

It is a combination of money and know-how. It varies from country to country.

In the most underdeveloped countries, the ones that are just starting, the greatest need is technical competence. They can use only a limited amount of capital until they have adequate technical competence. When they reach a broader technical competence, the emphasis shifts to capital—as much capital as they have human and technical resources to handle.

That is the case in India today. India started out with a relatively high state of techniques after the British left, much higher than most of the other underdeveloped countries. They have been able to plan and carry out projects that other countries cannot do just yet. Therefore they need and can absorb large amounts of capital, both public and private.

Do we need to reappraise our handling of the economic war?

I do not think we need anything dramatically new. I do think there has to be, and is, increasing emphasis on the importance of the economic aspects of our efforts. We are using the Development Loan Funds, which is a relatively new thing. We are trying to increase the use of private enterprise, which should be important. We have all talked about

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. . . at least 30 days ahead of time. Then Nation's Business will come to you properly addressed and without interruption.

A simple way to do it: just tear the address label off this magazine and send it with your new address and postal zone to . . .

Nation's Business
1615 H Street, N.W.
Washington 6, D.C.

Advertisers in this issue • January 1959

RED ECONOMIC PUSH
continued

Soviet efforts can change rapidly to test weak points

it a lot, but this year is the first time I think there has been intensified study to try and find concrete means to stimulate it. That could be important.

Would you comment on the recently announced seven-year plan of the Soviet to boost production?

We are still analyzing that. It is an ambitious plan. It will boost Soviet production, if carried out, quite considerably. I do not think it will anywhere near meet some of the goals that we have heard mentioned, such as equal per capita production with the United States in 1970. Our economy is not standing still; it, too, is moving ahead.

However, they may equal or surpass our efforts in certain fields in which they want to put effort. They can channel their efforts that way with a much greater concentration than we can.

Some people are saying that we are in for an increasingly tough line from the communists in 1959. Do you feel that is true?

The past few months would seem to indicate that they are engaged in relatively aggressive probing operations to test our nerves. How far that will go is difficult to tell, because one thing that marks the Soviet regime is its ability to change rapidly when they feel it is to their advantage. So, I think it is hard to look too far ahead. But certainly that is the trend at the moment.

It has been said that the biggest peril in the cold war is not the power of the Soviet challenge, but the weakness of our own response. Do you agree with that?

I think that is another way of saying what I said earlier: that our biggest problem is selling the people of the United States, getting them to understand the importance of this problem of development in the underdeveloped areas, which is what the whole Soviet economic offensive is geared to exploit. Until that is fully understood, our people will not respond as strongly as they could otherwise. END

Here's PROOF that this telephone idea WORKS

From a recent letter written by a Birmingham businessman:

"Just a few moments ago I saw your advertisement [reproduced above] and it gave me an idea. We had a sale hanging fire, so I placed a Long Distance call to the prospect.

"Within five minutes after reading your ad I had obtained an order for more than $7500 worth of equipment . . ."

Very truly yours,

EBBERT & KIRKMAN CO., INC.
James A. Lovell, Vice President

Mr. Lovell has subsequently adopted the "Call Collect" plan whereby customers and prospects are invited to call his company *collect*. In addition, his salesmen now use Long Distance regularly in servicing all their out-of-town accounts. Results are excellent.

BELL TELEPHONE SYSTEM

Long Distance pays off!
Use it now . . . for all it's worth!

HERE IS
REAL MANDATE
FOR CONGRESS

THE CONGRESS which meets this month is unique in one respect.

Never have we had such unanimous agreement on what a new Congress was going to do.

This, according to forecast, will be a free-spending Congress, liberal in the sense of generous with the taxpayers' money, and committed to enlarging central government activity in all kinds of fields.

Politically active organizations are boasting that, because their support was decisive in several campaigns, many congressmen will be, in effect, paid hands to do their bidding.

If these predictions are accurate, this country's future may be both short and grim.

Few Congresses have faced issues so vital as await action by this one. These are not short-term issues. How this Congress faces them will affect world history for generations.

Such issues cannot be handled on the basis of what influential constituents want now.

Only the blackest pessimism suggests that they will be handled that way.

Faith and history teach that, in time of crisis, sound democracy produces leaders to meet its needs.

To believe that our own democracy can no longer do this is to mistrust its soundness.

To believe this is also to believe that those to whom the country's future has been entrusted will put private privilege ahead of public responsibility—and that the November election constituted a mandate from the people that they do this.

Neither Congress nor voters deserve this kind of cynicism.

Few men run for Congress with the intention of destroying our economic system. Few voters would cast their ballots for inflation, federal deficits or confiscatory taxes.

The only mandate facing the new Congress is to deal wisely with the immense complexities and perils that threaten the country.

The members will come to Washington eager to do this. They cannot do it alone. They will need the thinking and support of the best brains in the country.

They will need information, explanation and encouragement offered without rancor or bias by men of business, labor, science, religion and every other facet of American life that dares to think of national safety first and personal convenience later.

Even then their task will not be easy. It will often require them to forget that they are Democrats or Republicans. Some will have to adjust personal philosophies to new ideas. Some must expand their citizenship from local to national.

A few will be too provincial to do this. Others, some of them now nationally unknown, will attain the stature in statesmanship that today's conditions demand. Such men will stand firm for fundamental principles with honesty, sincerity, conviction and persistence.

If they win, history will make a place for them well up among the congressional greats who rose in previous times of need.

If they fail, history may say whatever is already written and awaiting release in the Kremlin.

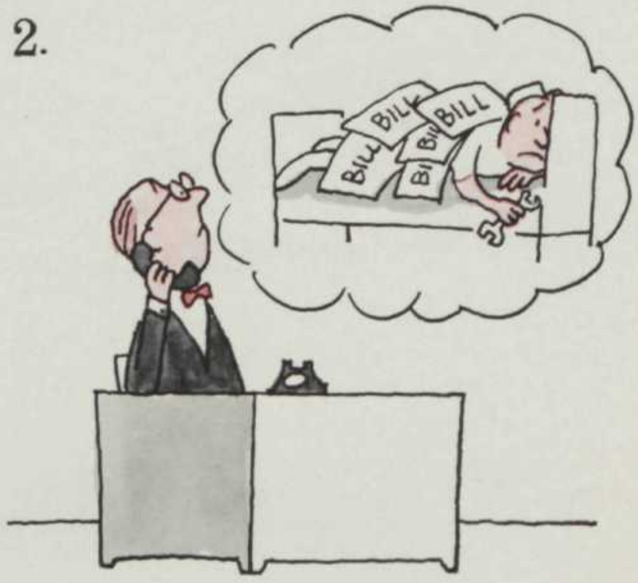
Given the help of thoughtful and unselfish citizens, they will not fail.

Why Joe Cannon's men idolize him

1.

The warmest hearted boss in town, Joe Cannon ran his shop
Upon the principle that happy men are hard to top.
Each man enjoyed good wages, bonuses, a long vacation—
All solidly protected by a Travelers Group foundation.

2.



As Travelers' man expounded when Joe got him on the phone:
"Group Major Medical insurance forms the cornerstone.
I've seen too many cases where a working crackerjack
Cannot produce if doctor bills are piling on his back.

3.

"A man recoups in time, but as you've probably discovered
A bank account is years in getting healthily recovered."
Said Joe, "Group Major Medical with Travelers—good advice
To keep my loyal workers off of thin financial ice."

4.

His men have solid reasons for their deepening affection:
Joe's generosity is backed by Travelers' sure protection.
Group Major Medical with Travelers—what a noble plan!
You, too, can earn a medal—call a trusty Travelers man.

AMERICAN FAMILY INDEPENDENCE THROUGH THE TRAVELERS

THE TRAVELERS
Insurance Companies
HARTFORD 15, CONNECTICUT

All forms of business and personal insurance including Life • Accident • Group • Fire • Marine • Automobile • Casualty • Bonds

Like all '59 Chevies, this Impala Sport Coupe is new right down to its safer Tyrex cord tires.

FRESH, FINE AND FASHIONABLE !

Chevy's Slimline design says new in a way all its own. And beneath the beauty there's new engineering that goes down deep. Here's all the car anyone could ask for!

From the clean thrust of its grille to the jaunty flare of its rear deck, this '59 Chevrolet is shaped to the new American taste. And you'll find its beauty has a practical slant too—with more seating room, new areas of visibility and a longer lasting Magic-Mirror acrylic finish.

Once you're on the road you'll discover dozens of deep-down engineering benefits—from easier steering to safer stopping. Your Chevrolet dealer's waiting now with the car that can give your pride a big lift at a low price. . . . Chevrolet Division of General Motors, Detroit 2, Mich.

'59 CHEVROLET

CHEVROLET

What America wants, America gets in a Chevy!

The Bel Air 2-Door Sedan—Fisher Body beauty and Safety Plate *Glass all around.*